Independent agencies say future bright

By CHRISTY MARSHALL

NEW YORK—While former independents William Esty Co., Compton Advertising and Cunningham & Walsh take wedding vows, chief executives of other independent agencies proudly are proclaiming they are not the marrying kind.

In fact, as they deny the contention that their future is a shaky one at best, these execs are crowing that the latest rash of mergermania is only good news for them.

"The future [for the independent] has never been brighter," said Carl Spielvogel, chairman-ceo of Backer & Spielvogel, the fast-climbing 3-year-old independent.

"It is terrific for us," said Chuck Peebler, ceo, Bozell & Jacobs. "We have a good 10 to 15 years of our growth ahead of us. We're positioned right now to take advantage of some periods of adjustment with our competitors. When you have change, you have opportunity."

Two of the major merger deals recently concluded, William Esty Co.-Ted Bates & Co. and Compton-Saatchi & Saatchi, resulted in expanded international operations and lucrative settlements for the principals. These deals also were accompanied by talk about how time was running out for the big independent agencies as their multinational clients pressed them to enlarge their operational scope.

"You've got to become a Goliath to survive," said Compton's Bob Huntington as he signed up with Saatchi & Saatchi (AA, March 22).

Referring to these mammoth deals, Mr. Peebler asked, "How is Bates going to end up managing all these operations? First they buy them and then they want to maintain the management, but the managements have sold because, in many cases, they don't have any succession. Now what happens when the problems of succession come into being? You no longer have the same entrepreneurial drives available because you no longer have ownership on the same basis you had before. And clients are going to see the value of an involved owner management, which I think tends to care more in the personal service business."

■ "I think it is the greatest opportunity McCaffrey & McCall has ever had," said chairman David McCall, who sees no need to merge. "The clients we serve, and the clients we don't serve but talk to, are dubious about the advantages of the mass organizations. Some of them are very good. But, God, some of them are a living mess. I see no advantages, particularly for agencies at this level." He added that clients still seek "terrific marketing, thinking, great creative work, solid research and a good media plan."

K&E ceo Leo-Arthur Kelmenson sees the merger surge as good for the industry.

"It's very clear that something very exciting is happening in the

(Continued on Page 96)

ALIANZA REPUBLICANA NACIONALISTA
ARENA
DEMUESTRA
QUE A DOS MESES DE HABERNOS INICIADO COMO PARTIDO POLITICO
EL APOYO DEL PUEBLO ESTA CONSOLIDADO
LA VIA PARA LA PACIFICACION DE NUESTRA PATRIA SON LAS ELECCIONES.
ESTA ES LA UNICA OFENSIVA QUE EL VERDADERO PUEBLO SALVADOREÑO
LLEVARA A CABO EL PROXIMO 28 DE MARZO DE 1982.
"HOY LUCHA, MAÑANA PAZ, PROGRESO Y LIBERTAD"

Salvadoran campaigning

Elections in El Salvador yesterday were marked by a flurry of ads. McCann-Erickson prepared the Republican National Alliance Arena, which says, "Fight today, tomorrow peace, progress and liberty." The Accion Democratica campaign by Publicidad Comercial says, "Countryfolk for democratic action will go for total victory."

Test spending at $100,000,000 rate

Seven-Up chief believes time right for Like cola

By NANCY GIGES

As Seven-Up Co.'s 99% caffeine-free cola Like makes its debut, soft drink analysts expect the new product to prolong the already drawn-out cola war that began when Pepsi started its comparative taste tests in the mid-1970s.

Seven-Up is introducing Like (AA, Feb. 1) in eight markets, four where company-owned bottlers will market the brand and four where it is franchised. The cities are St. Louis; Rochester, N.Y.; Norfolk; Dayton; Madison, Wis.; Albuquerque, Phoenix and San Diego.

■ Commercials break first in Dayton March 28 and will begin in all markets within three weeks.

Although Coca-Cola and Pepsi-Cola thus far have played down the importance of caffeine-free soft drinks, they cannot afford to ignore the situation a whole lot longer, commented Bonnie M. Cook, soft drink analyst at Robinson-Humphrey, Atlanta.

Pepsi, while discounting the potential of low-caffeine soft drinks, has reacted strongly to a new anti-caffeine approach in advertising for the 7UP brand (AA, March 1). In a communication to its bottlers that also handle 7UP, Pepsi said any support they give to the anti-caffeine campaign might be a violation of its franchise agreement.

There are reports that both cola companies are prepared to introduce competitive decaffeinated cola products and are far enough along to have worked out ad plans. One source said Pepsi is ready to convert Pepsi Light sugar-free cola with a lemon twist to a caffeine-free formula. Others say Pepsi is considering the use of new names such as Pepsi Free, Pepsi 2 and Pepsi Gold.

Like's advertising, by Backer & Spielvogel, has the theme, "You don't need caffeine and neither does your cola." Each of four introductory commercials centers on a parent/child activity.

■ They initially focus on what a child needs (such as every kid needs a dream, lots of love, encouragement, etc.), and then, as action abruptly stops on the child for several seconds, an announcer notes: "But there's something they don't need. They don't need caffeine. That's why we created a cola with no added caffeine." Copy says Like gets its excitement from full, rich cola taste, unlike the leading colas that add caffeine.

Edward Frantel, Seven-Up Co. president, maintains that the commercials do not position the brand specifically for children. "We see this [advertising] as positioning it for everybody," he said. It would

(Continued on Page 92)

highlights

Monday, March 29, 1982

Although Procter & Gamble is getting the heaviest share of the toxic shock syndrome cases, other tampon marketers aren't free from litigation. *See Page 10.*

R.J. Reynolds Tobacco is punching up Camel cigarets with a tie-in with the Holmes-Cooney fight. *See Page 12.*

Nickelodeon, Warner Amex's commercial-free cable service for children, is seeking new revenue sources. *See Page 12.*

Major oil companies begin pitching their ability to fill a credit card void created by Arco's cash-only policy. *See Page 26.*

Pabst majority shareholder Irwin Jacobs blasts the company's advertising in the battle for the brewery. *See Page 26.*

The Roy Rogers chain gets ready to take a big bite out of the U.S. market with conversions of Gino's restaurants. *See Page 28.*

Nailcare is losing some gloss as the industry takes a more cautious approach. *See Page 34.*

Two brewers are set to sponsor rock and soul talent contests. *See Page 38.*

Sara Lee is planning to expand its fresh-baked goods test. *See Page 41.*

Superadio is due for a July start, complete with an ad/promo package from Marschalk Co. *See Page 44.*

DIM, the French hosiery marketer, is introducing its products in New York and expects to be national in 1983. *See Page 44.*

Faced with competition, executives of the Bank Marketing Assn. discuss how they plan to meet the challenge. *See Page 51.*

Gypsy moth infestation of the Northeast spurs new products. *See Page 70.*

Pursuing the lowest fare, Texas International Airlines takes on bus lines. *See Page 70.*

Hertz president Bennett E. Bidwell recommends that Detroit start bridging the credibility gap by upgrading marketing. *See Page 76.*

Baseball attracts its usual roster of veteran backers on the ABC and NBC networks. *See Page 80.*

Agency exec Rubin Shapiro thinks problems with time banking can be solved with the creation of a central time bank. *See Page 88.*

CORPORATE CLOSEUP

Consolidated Foods is getting deeper into distribution, possibly as a way to help its profit centers meet high return-on-investment goals. *See Page 4.*

INTERNATIONAL

A French magazine tries to lure male readers by discussing feelings and fashion. *See Page 46.*

VIDEOTECH

Ted Turner claims that his superstation WTBS will have 50% penetration by 1985. *See Page 63.*

Satellites and other new technologies will affect more than broadcast, according to a new Doyle Dane Bernbach report. *See Page 64.*

Legal licensing is raising a scare among the Italian commercial tv community. *See Page 66.*

MAGAZINE

"Schwepping" is now a worldwide phrase being used by the tonic maker, which has decided to join the ranks of companies using pan-global advertising and marketing campaigns. *See Page M-2.*

A new column titled "Parting Shots" debuts in today's issue. Written by Rance Crain, president of Crain Communications and editor-in-chief of ADVERTISING AGE, the weekly column will deal with a wide range of subject matter. *See Page M-60.*

SPECIAL REPORT

White and light are still big in the worlds of wine and beer, respectively. The wine and beer industries are the focus of this week's Section 2/Special Report, which also talks about the Big 2 brewers and the jockeying for position among the "second tier" beer makers. *See Page M-13.*

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NBC-TV springs its shifts

By JAMES P. FORKAN

NEW YORK—NBC-TV has unveiled a rash of springtime changes in hopes of finding candidates for fall and for the 1983 mid-season. CBS and ABC, still engaged in a close battle for first and second in the Nielsens, announced spring fixes earlier (AA, Feb. 22 et seq.).

NBC's latest moves include two shows that just got new berths during March, "McClain's Law" and "Chicago Story."

With Brandon Tartikoff, NBC Entertainment president, slating three limited-run series and moving six current shows, mostly on Friday and Saturday nights, April shapes up as a crucial month for the network as it tries again to battle its way out of the Nielsen basement.

Already committed to six new series for fall prime time, NBC so far has renewed only three current shows, "Quincy," "Hill Street Blues" and "Real People," with more expected shortly. The newcomers include two delayed from this season, "Devlin Connection" and "The Powers of Matthew Star," plus "Saint Elsewhere,"

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Illustration by Nancy Macgregor

WINE

Consumers toast to a vintage future

By Ed Zotti

It's a little startling to realize, but once upon a time the center of the U.S. wine industry was Cincinnati. Or at least that's what wine historian Leon Adams claims.

Ed Zotti is a Chicago business writer and a frequent contributor to Magazine/Section 2.

We're talking pre-Civil War, a time when the wine business was a tad on the rustic side. Unfortunately for Ohioans, Buckeye dominance didn't last long. Folks were already growing grapes in Southern California, and during the 1850s the first commercial wineries were established in Northern California.

It has not exactly been a century of progress since then. Wine's prospects look cheery today, but up until about 30 years ago the story of American wine was the story of one catastrophe after another—plagues of vine pests, Prohibition, a couple world wars and a depression, among other things. It wasn't until 1948, according to one observer, that the wine industry entered a period of more or less "normal" growth.

Until 1980, when it surpassed distilled spirits, wine ranked dead last among the 10 major U.S. beverage categories. As late as 1960, Americans were drinking only a half gallon of table wine per capita annually, compared with nearly 30 gallons among the major wine-consuming nations of Europe. Even today, fewer than 4% of the nation's wine drinkers consume more than half the wine produced.

But there's no question that things are changing. "The cultural trends are on our side," says John De Luca, president of the Wine Institute, the industry's largest trade group. Wine is invariably associated with a more affluent, sophisticated life style, proponents say, and as

(Continued on Page M-14)

Toasting wine's future

(Continued from Page M-13)

more Americans find themselves in that category it's likely they'll turn to wine from more proletarian beverages. Consider some of the radical changes in the industry since the repeal of Prohibition. Initially the big business was in "dessert" wines of more than 14% alcohol, with some fortified with brandy to as much as 20% alcohol. They were not well made; some of them, frankly, were rotgut. They sold mainly because they were a cheap source of alcohol.

"Wines were taxed at rates far more advantageous than spirits," says Louis Gomberg, a San Francisco-based wine consultant and longtime observer of the scene. "Wine then as now was thought of as an agricultural product whereas spirits and beer have always been thought of as manufactured products. I would say that 80% to 90% of the growth in dessert wines [from nothing to 100,000,000 gallons by 1955] was due to the fact that these wines had a tax advantage. It was an artificial market."

Dessert wines peaked in the mid-1950s as their mostly low-income customers switched to hard liquor, and sales have declined ever since. But sales of table wine were growing at a steady rate. By the time the watershed year 1968 rolled around, table wine sales equaled dessert wines sales.

The late '60s saw a number of other interesting developments, too—the "pop" wine craze, for one thing, as well as a sudden interest in wine on the part of big business. National Distillers bought Almaden in 1967. In 1969 Heublein bought United Vintners. Later Schlitz, Coca-Cola Co. of New York, Coca-Cola Co. of Atlanta, Nestle Co. and others would get into the act.

But the real news was that Americans were finally learning the wine habit. Years earlier, Mr. Gomberg recalls, the Roper organization asked Americans whom they thought drank wine. The three leading answers were foreigners, rich people and bums. By the '70s, one could safely say, that was no longer true.

Still, Americans tend to use wine in unpredictable ways, and anticipating what those new directions might be has come to be a major preoccupation of wine observers around the country.

Take the phenomenal growth in white wine, for instance. In 1970 whites were the least popular of the three wine "colors," with 24% of the table wine market, compared with 26% for rose and 50% for red. By 1980 the situation had shifted dramatically, with white accounting for 54% of the market, red 26% and rose 20%.

Not everyone saw that change coming. Those who did, notably Marvin Shanken, publisher of the industry newsletter *Impact*, have ample opportunity to gloat nowadays.

"My friend Lou Gomberg and all these other guys for years used to put me down, that [white wine] was just a fad," Mr. Shanken says. "They don't put me down anymore."

"I did research reports. I analyzed the business of why people were turning to wine and white wine in particular and I went step-by-step through all the factors involved. Three years ago I spoke at the University of California at Davis on white wine before an audience of 700 grape growers who were knee-high in red grapes. I was going into the lion's den . . .

"Other people only looked at wine in the context of wine—they didn't look at wine in the context of the beverage world. I fit wine within the context of consumer behavior patterns in terms of beverage consumption."

So why white wine? "It's pretty obvious," Mr. Shanken says. "It's chilled, it's light, it's flavorful, it's got a certain elite status to it. The migration to the South where people have a tendency to want to drink cold beverages only added to it."

In addition, many people, particularly women, found white wine a good substitute for a before-dinner cocktail. "People wanted to switch from spirits," he says.

One of the next big opportunities for wine, Mr. Shanken agrees, will be in the recreational beverage market, a move made possible by the development of convenient containers like cans and plastic bags in boxes. That means that wine may eventually be competing head-to-head with premium and superpremium beers. Already the new containers make wine less of a headache for outlets ranging from restaurants to airlines, and greater availability, naturally, is the key to greater consumer acceptance.

Mr. Shanken sees a decidedly optimistic future for the U.S. table wine business—an annual volume of nearly a billion gallons by 1990, a little short of three times present production. "It's a function of two things. One, the population of users is going to increase. Right now about a third of the American adult population drink wine. Another third, for moral or health reasons, does not and will not drink wine and the remaining third represents the potential new audience. So the potential exists for the wine-drinking population base to double."

"The other area is frequency of usage, and I see wine becoming more than just an occasional beverage. People today who drink it maybe once a month will be drinking it once or twice a week. And I haven't even gone into the fact of increasing usage at a given time, taking two drinks instead of one."

Still, nobody's quite sure exactly what kind of wine people are going to be drinking in 10 years. It's more than an idle question, since it can take as much as five years between the time vines are planted and the first wines prepared. Grape growers who guess wrong can find themselves in big trouble down the road.

One current debate, for instance, centers on future color preference. Red grapes are presently plentiful, while whites are in short supply. But some observers, noting that white wine is the traditional drink of the wine novice, think that present white wine drinkers will eventually graduate to the reds. Others aren't so sure, doubting that the mass of American consumers will ever develop the educated palate the more complex reds require.

A somewhat more pertinent issue is what new product(s) it's going to take to entice nonwine drinkers away from their present beverages. Some look to low calorie and/or low alcohol products.

"The soft wines and light wines are steps in the right direction to appeal more to the American palate," Mr. Gomberg says. "They're the first real attempt from the standpoint of traditional types of wine to reach the nonwine drinking portion of the country."

Mr. Gomberg points to the success of the relatively low-alcohol Italian Lambruscos, pioneered by Villa Banfi with Riunite. "It is a genuine grape table wine [as opposed to a "pop" wine], with a couple of additional things—it has tingle on the tongue, which appeals to Americans who were weaned away from mother's milk to soft drinks. And for the first time with Lambrusco, marketers said to the public, to hell with this rule, 'never chill red wine.' You chill our Lambrusco and you'll enjoy it more. And people did chill it and they loved it. Another factor is the absence of tannin," which gives wine a somewhat astringent taste.

Others think Lambruscos have only a limited appeal. "It's been a phenomenon that's been very heavily oriented in some parts of the East Coast but certainly in the Midwest to consumption patterns that have always been traditionally in quite sweet wines," says George Vare, a San Francisco-based wine consultant who served as president of Schlitz's Geyser Peak Winery until 1979.

As for low-alcohol wines generally, Mr. Vare says, "I don't think they're going to be that big. I think some of it is going to cannabalize [the sales of] existing higher-alcohol wines. It's long been known that there's a gigantic market for a low-alcohol beverage, but it's real low, down in the 2% to 3% range. But in order to achieve that, there are all kinds of technical problems." The light wines currently offered, which typically are 7% to 10% alcohol, just aren't low enough, Mr. Vare thinks.

Whatever the product, Mr. Vare believes one factor the U.S. wine industry is going to have contend with in the near future is costs. "I think you're going to see the cost pressures of California agriculture and the wineries themselves putting a tremendous amount of pressure on California wines," he says. Continued industrial and residential development, for one thing, is sure to force land prices up.

"I think that we're possibly going to open the door for more low-priced imports coming in. There's a whole sea of wine that exists outside the U.S., and I think given government subsidies whether open or disguised that [foreign wineries] are going to be watching this pressure."

Others agree. Mr. Gomberg goes so far as to say that the day may be coming when California may simply cease making the lower-priced wines altogether.

Admittedly, there are some for whom increasingly tight conditions in California bode well—notably all the non-California wineries who might conceivably take up the slack.

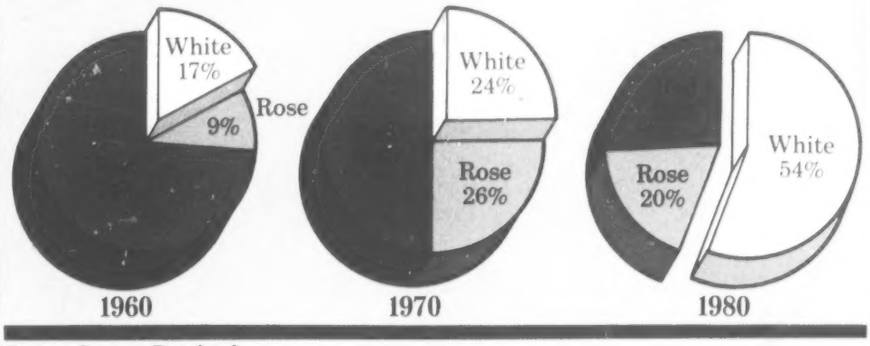
At the moment, things don't look too good for "other states" wineries, as they're called. Their market share has fallen to a dismal 8%. Mr. Shanken thinks they'll be lucky to end up with half that 10 years from now, and he predicts an actual decline in gallonage.

The problem has been the allegedly "foxy" taste associated with the types of grapes Eastern growers are forced to use because of less favorable climatic conditions. "But that's diametrically opposite to what all the New York wineries are producing now" with the new hybrid grape varieties, says Bill Moffett. He's executive director of the Assn. of American Vintners, most of whose members are located east of the Rockies.

"Look at the California situation," he says. "The Napa Valley is pretty well filled. There's not too many more places where you can put grapes." Other observers scoff at this, but all the same *Eastern Grape Grower & Winery News* magazine, which Mr. Moffett runs, is helping to organize a seminar next fall for potential investors in eastern vineyards.

Production details aside, the trends are encouraging. AA

The changing table wine pattern in the U.S.



Source: Impact Databank

Share of market trend

Wine entering distribution channels by origin

Origin	1960	1970	1975	1976	1977	1978	1979	1980
California	79%	73%	74%	72%	72%	69.2%	70.8%	71.2%
Other states	14	17	13	12	11	9.1	8.6	7.3
United States	93	90	87	84	83	78.2	79.4	78.5
Imports	7	10	13	16	17	21.8	20.6	21.5
Total	100%	100%	100%	100%	100%	100.0%	100.0%	100.0%

Source: Impact Databank

Regional scene is in ferment

By Eunice Fried

The past 25 years have been bountiful ones for winemaking in the U.S., with new wineries sprouting up like modern day pioneer settlements, not only in California, but also in the Northwest, East, Midwest, South and Southwest. It is a tantalizing revolution with the wine scene in constant ferment, and with the wineries' bottled offerings edging more Americans toward the pleasures of wine.

Although 36 other states are now commercially involved in winemaking, California still leads by far. Since the mid-1960s, when the state's ebullient experimentation and growth began, wineries have proliferated there with a zeal akin to a religious calling.

Today, California is home to 484 wineries (about three-fourths of which have opened since 1970), and that number increases so rapidly that a count today is bound to be obsolete tomorrow. California, in fact, has more wineries than the rest of the country has in total.

Nowhere in the state is there a greater concentration of winemaking than in Napa Valley. With 130 wineries tucked into this 30-mile long valley—barely five miles at its widest—Napa is the brightest star of American winemaking.

Just west of Napa, over the mountains that divide them, is Sonoma. With about twice the land space of Napa and a wine history that stretches back to the early 1800s, Sonoma now has about 80 wineries.

While Napa and Sonoma are California's stars, their success has spawned many satellites. North of these two prestigious regions are Mendocino and Lake County, both coming into their own as prominent wine growing regions.

Slowly, the names of other regions are also catching the eye of the American wine lover—Santa Clara and Livermore, two old established regions; San Luis Obispo; Santa Barbara-Santa Ynez; the Sierra Foothills, including the Amador, El Dorado and Calaveras areas; and Rancho California (Temecula), among them. In all, reports Wine Institute, the California wine industry's trade association, more than 15 regions in the state are now involved in winemaking.

And in fact, of all the wine America drinks, 87% of it comes from California. Yet, despite this overwhelming preference for California wines, all is not glittering in the Golden State. As in any of the world's wine regions, much of the production is ordinary, uncomplicated and unexciting.

Even among some of the state's premium wineries there has often been a tendency to produce wines that are too high in alcohol, have spent too much time in oak cask and, in general, tend to be excessive and overwrought.

Fortunately, the most astute of the prestigious winemakers have always understood that boldness does not necessarily spell greatness. Warren Winiarski, owner and winemaker of Napa Valley's Stag Leap Wine Cellars, is an imaginative and thoughtful man whose wines are said to possess elegance and restraint. "We have to learn to temper the richness and the power this beneficial valley gives us," says Mr. Winiarski. "We have great abundance here, but it has not yet found its proportion."

Also contemplative about California's wine future is Walter Schug, winemaker of Joseph Phelps Vineyards, Napa Valley. "We know how to make good wine and to raise good fruit. The next frontier is to learn more about matching each grape variety to the appropiate growing area. To find out where the best wine grapes can grow well."

For all the excitement engendered by California, it is only one facet of the American wine scene, albeit the largest. But there are other worlds of wine in America.

Up in the Pacific Northwest, Oregon and Washington are producing praiseworthy wines that compete with those from California, particularly with the whites and Pinot Noir. And Idaho and Utah, too, are now producing fine wines.

From the Rockies on east, it is a different, and in some ways, a more complex story.

There are currently 335 wineries in 32 states stretching from the Rockies east to the Atlantic Coast. Most are small and sell their wines close to home. Many are in states rarely before considered wine country. New York is the East's largest wine-producing state and one of its oldest. Now, however, vineyards and wineries are making their mark in such states as Missouri, Indiana, Ohio, Oklahoma, New Mexico, Florida, Alabama, Minnesota, Michigan, Massachusetts and Iowa.

Winemaking began in a small way in the East when the early European settlers found vines of the Vitis Labrusca (of which the Concord is an example) growing wild. The vines were hardy and able to withstand the severe winter and short, humid summers of the region, but their grapes made wine that had an assertive, musky flavor unlike anything they had known in Europe.

The New World colonists made wine from them, nonetheless, but they were not satisfied. Soon, they were importing vines from the Old World, varieties of the vinifera species. These vines, however, failed in the colonies while the native vines continued to flourish. And for 250 years, no one knew why.

Then, in the 1860s, some American vine cuttings were sent to England. Unknown to anyone, a louse indigenous to the eastern U.S. was buried in their roots. Called phylloxera, the louse spread throughout Europe, destroying almost all of the continent's vineyards. Next, it spread to California where vinifera varieties were also grown. By the turn of the century, most of the western world's vineyards were dead. Yet thriving in the midst of ruin were the native American species, alone immune to phylloxera. The rebirth of vinifera came about when men began to graft vinifera vines on to the roots of the phylloxera-immune American species, and that is how most of the vines of the world are planted today.

Meanwhile, researchers in France, Canada and the U.S. were crossing viniferas with American vines to produce hybrids— new grapes that they hoped would combine the fine flavors of vinifera with the hardiness of the American species. Many hybrids were produced, but few, if any, succeeded in coupling the essential qualities of vinifera with labrusca. Still, the best of them offered a step up in flavor and a reasonable alternative for people who shunned labrusca wines.

It was the introduction of these hybrids after World War II and later, the successful reintroduction of vinifera, that changed the wine fortunes and future of much of this country.

Dr. Konstantin Frank is the man who proved that vinifera could thrive in the East. Born in Russia more than 80 years ago, he had grown grapes there in 40-degree-below-zero winters. In 1962, he established Vinifera Wine Cellars in the Finger Lakes Region of upstate New York and showed, that by grafting vinifera on to the correct root stock, the European grapes could withstand the region's severe winters.

Thus, today, the special excitement in the states east of the Rockies is that three totally different philosophies of grape growing are operating, often side by side.

Although no breakdown of grape species for the entire eastern wineries industry seems to exist, there are figures for New York State. The largest producer east of the Rockies, New York, is currently harvesting about 79% of its wine grapes from labrusca, just over 19% from hybrids and only slightly more than 1% from vinifera.

Vinifera is the hardest to grow and yields the smallest crop, but it does make the finest wines of the East, and it is this small percentage of vinifera that is turning the reputation of eastern wineries around and giving the consumer some surprises.

Some of the most outstanding surprises are coming from small wineries, such as Glenora Wine Cellars on Seneca Lake in upper New York. Established in 1977, Glenora began to win awards almost as soon as it had wine in the bottle. In the 1981 New York

(Continued on Page M-35)

Share of market trend ten largest American wineries in total sales

	1970	1975	1976	1977	1978	1979	1980
1. E. & J. Gallo	30%	27%	27%	28%	24.6%	25.5%	25.6%
2. United Vintners (Heublein)	17	16	15	14	13.1	12.4	11.0
3. Almaden (National Distillers)	3	4	5	5	6.0	6.5	6.7
4. The Wine Spectrum (Coca-Cola of Atlanta)	3	3	3	3	3.3	3.7	4.7
5. The Wine Group (Coca-Cola of New York)	4	6	6	5	5.1	4.4	4.6
6. Paul Masson (Seagram)	1	2	3	3	3.2	3.4	3.7
7. Canandaigua	3	4	4	4	3.4	2.9	3.2
8. Guild	3	4	4	4	3.2	3.5	3.1
9. Monarch (New York)	2	3	3	3	2.7	2.8	2.7
10. Sebastiani	—	1	1	1	2.0	2.0	2.1
Total—Ten largest	66%	70%	71%	70%	66.6%	67.1%	67.4%

Source: Impact DataBank

Eunice Fried is a New York-based wine writer and the regional wine columnist for McCall's. *Her articles also appear in* Black Enterprise *and* House Beautiful.

Regionals

(Continued from Page M-15)

State Fair Wine Competition, for example, it entered 10 wines and garnered 10 awards. A third of its 15,000-case production is in vinifera—in Johannisberg Riesling and Chardonnay—which makes it, according to general manager Raymond Spencer, the largest producer of vinifera in the state. In about two years, the winery expects to have half its production in vinifera.

Markko Vineyards of Conneaut, O. has been devoted solely to vinifera since it began 13 years ago. With an annual production of barely 2,000 cases, however, its buttery, well-balanced Chardonnays and its Johannisberg Riesling—all estate bottled—reach few consumers.

Among the East's larger, older wineries, most of which were established in the 1800s and whose fortunes were founded on labrusca, only Gold Seal on New York's Keuka Lake has made forceful strides into vinifera. Under the presidency of English-born Master of Wine Michael Cliff, Gold Seal has begun producing highly regarded Chardonnay, Johannisberg Riesling and Gewurztraminer.

Red vinifera, on the other hand, and in fact, red wine generally, has met with rare success in the East.

But despite the upgrading of many eastern wines and of white viniferas particularly, there has been little demand for them in the wine shops and restaurants outside their own areas.

At the sixth annual eastern wine industry conference in December, "Wineries Unlimited," speakers at the marketing seminars pointed to just that fact.

"Your reputation in New York City is lousy," said M. David Levin, news producer of WCBS Radio in New York. "If you want to hit the big city market, forget the name 'eastern wines.' Go with your winery name. Promote your estate wines. Your most promising future is in your viniferas, your light, fruity whites and your sparkling wines."

Ed Everett, editor of the "Gomberg Report" and publisher of "Wine Trade," both in San Francisco, chided the wineries—of California as well as of the East—for not keeping up with trends in the market.

James Rossbach of Bonsal Seggerman, importers, suggested the small wineries try to sell their wines through small wine shops. "Give them only one or two of your best, particularly, your whites. And hold your price."

If California has similar problems, its wine people are not emphasizing them, at least not publicly. Instead, at the annual Napa Valley Wine Symposium last February, all was upbeat.

Richard Maher Jr., president of Beringer Vineyards, in a talk entitled "Napa Valley: A Greater Future," spoke about the consumer's concern with quality. "The consumer is starting younger, and he is more knowledgeable, more daring, more affluent . . . I believe the wine explosion will continue."

As wineries, wines and wine styles continue to proliferate in the Golden State, there seem to be two trends.

One has been the development of limited production, top-of-the-line wines by large, historic, mass production wineries. Much of California's growth in the past decade has been small, special wineries turning out high quality wines often in minuscule production. Because a number of them have been so successful, a kind of cult of all small wineries has developed. As a result, many of the large, old wineries have been forced to reexamine their own wines and, in an effort to upgrade them and to compete with the new small wineries, they have established special productions.

Almaden Vineyards entered the limited production market in 1978 with its Charles Lefranc label, accounting for 45,000 cases out of the winery's total 12,000,000 cases per year. Christian Brothers answered the challenge by creating its white and gold vintage-dated label that represents 20,000 cases of its annual 1,500,000 production. Sebastiani Vineyards now has its Proprietor's Reserves; and Paul Masson makes 25,000 cases of its Pinnacles Selections while the winery's regular production is 7,000,000 cases.

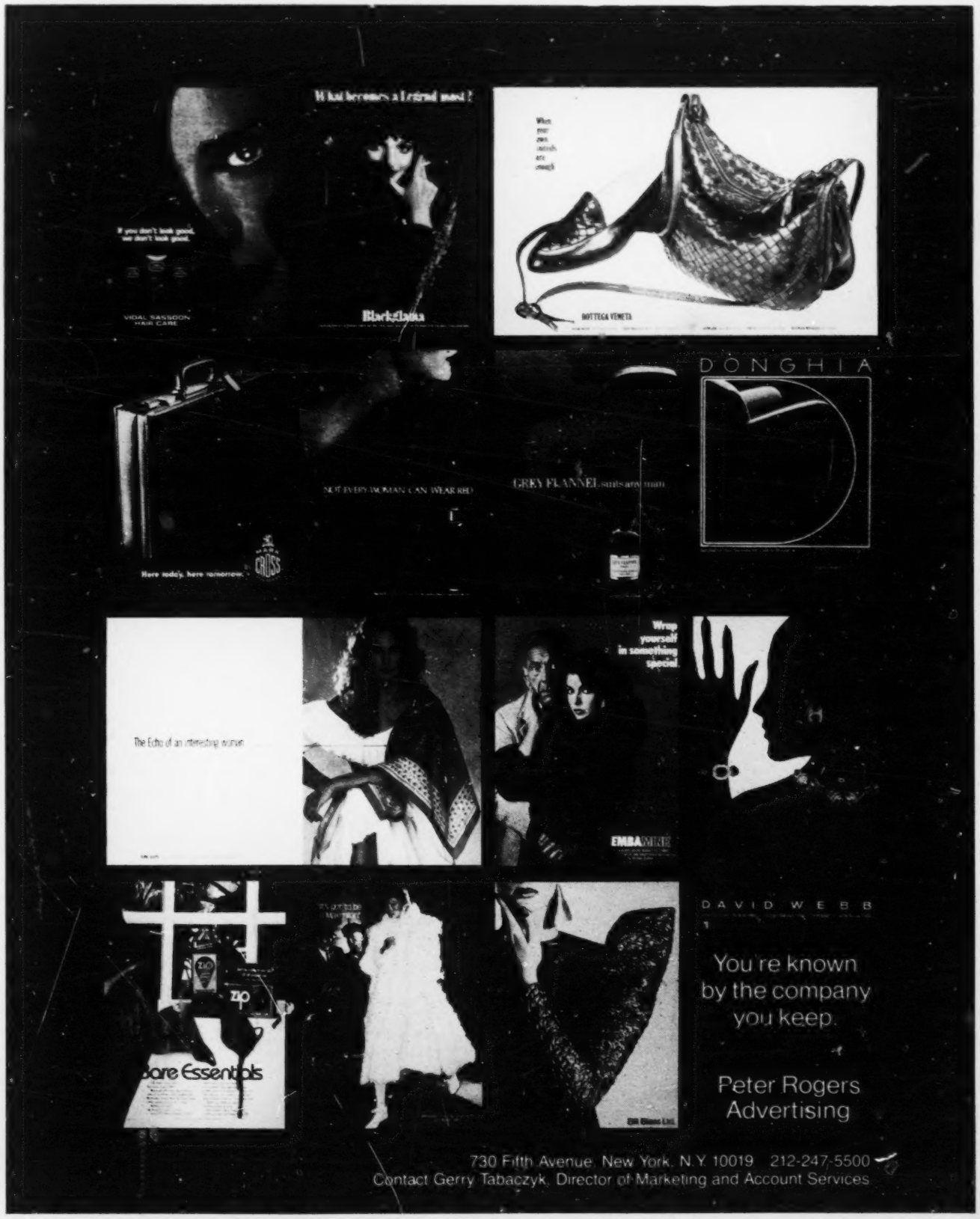
On the other end of specialization is the smaller winery that has learned what it does best, and trims its line down to its greatest successes. One example is Tom Burgess who established Burgess Cellars in Napa Valley in 1972. After winning kudos for all his wines, he decided to drop four (Chenin Blanc, Johannisberg Riesling, Petite Sirah and Pinot Noir) and to concentrate on Chardonnay, Cabernet Sauvignon and Zinfandel.

"I think specialization is something all small wineries should consider," says Mr. Burgess. "There is a tremendous call for Chardonnay, and yet, the year before we began our new program I was able to send only 20 cases to New York, a big market. With our new three-wine limit, we'll be making 18,000 cases of Chardonnay and we can fill much more of the need. Specialization is really a natural evolution."

Meanwhile, wine has become a cause for celebration across the country. Wine festivals, wine clubs, societies and special events abound and seem to multiply almost as fast as the wineries themselves. But the greatest accolade to wine in the U.S remains the Barrel Dinner sponsored each March by the Four Seasons Restaurant in New York City. Today, the Seventh California Vintners Barrel Tasting Dinner is being held.

The dinner is the most coveted ticket in town with 224 of the fortunate jamming the Four Seasons Pool Room while more than 2,300 others are refused.

In many ways, for many reasons, American winemakers have good reason to congratulate themselves. AA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White to light to alcohol-free? Maybe

By Richard Paul Hinkle

Some of America's largest wineries are jumping onto the "light wine" bandwagon as if it were the last lifeboat in a storm-tossed sea. Following so closely on the heels of the "white wine boom," it may take some time to correctly analyze the long-term place of "light" in the marketplace.

First, we must be careful to clarify two terms that are being bandied about. Though "soft" and "light" frequently overlap, they are distinguishable. "Soft," as originally used by Ed Friedrich at San Martin Winery, refers to wines of lower than normal alcohol. The lowest "normal" alcohol allowed in California, before 1979, was 10% (it is now 7%). "Light"—in light of "Everything you always wanted in a beer. And less."—may then be construed to mean wines of lower caloric content.

Indeed, lower caloric content is exactly what most of the advertising conversation has concerned itself with. Just as the "Lite" beer brewers fought for the lowest possible caloric rating, so too have the wineries.

Last August, Paul Masson boasted of its "new white wine with the lowest caloric content [49 calories per 100 ml.] of any wine sold in the U.S." That was too much for Masson's cross-town rival, Almaden.

Last February, Almaden jumped—with a quarter of a million cases—into a market that president John McClelland had previously expressed doubts about. In fact, Almaden did a double on "light," on its front label ("Almaden Light," "Light Chablis"), as well as announcing "48 calories per 100 ml. serving" immediately below. Even more, it's as low in alcohol as the law allows and there's just enough intentional carbon dioxide for an obvious bit of effervesence.

Interestingly, when Sebastiani Vineyards first entered this market, the intention was to stress the lower alcohol content. "When we first began to promote our August Sebastiani 'Light Country White,' our print and radio ads contained a reference to the low alcohol content of the wine," notes Sam Sebastiani, third generation president of the family-owned Sonoma winery.

"We pointed out that, since both grape sugar and alcohol contain calories, our wine was fermented to dryness. This marketing strategy was carefully designed to correctly position our wine in the marketplace and also to accurately define our light wine for the consumer. Unfortunately, the Federal Alcohol Administration Act forbids any advertising that relates to a wine's alcoholic content. It's ironic, because the intent of the law, which does *not* apply to distilled spirits, was to prevent a producer from suggesting that his particular wine or beer might really give you a buzz."

Mr. Sebastiani is convinced that light wines may one day eclipse the predictions of those who believe that they will concern 10% (or more) of the overall wine market. "My father, August Sebastiani, first made a low alcohol wine back in 1957," he says quietly. "He commented at the time that one day Americans would want to drink this kind of wine. I am proud that we were the first family winery to produce a light wine and that it honors the memory of my father."

There's no question but that Americans are looking for beverages of lower caloric content. "Since 1975 light beer consumption has increased 80% [from a small base], vs. a 19% increase in the total beer category," notes Pierre Ferrari, group brand manager for Coca-Cola Co.'s Taylor, who secured the right to "Light" and has jumped into the national marketplace in a big way. Mr. Ferrari cites a similar growth pattern in soft drinks, adding that: "Today's active life style emphasizes the extraordinary potential for our Light wines."

The fact that producers of the light wines have been sharp enough to add caloric, carbohydrate, protein and fat statements to their back labels is a subtle means of sliding wine toward a "food" image. There is evidence that Americans still perceive wine as an "alcoholic beverage" rather than as an agricultural food product.

Industry analyst Louis R. Gomberg, who has nearly a half century of wine experience, is convinced that the future of wine in America is tied to a *generic* product called "wine." When he says "wine," he's not talking about those wines with geographic genealogies or varietal pedigrees.

He's talking about a simple, low alcohol beverage made from fermented grapes that fills the same need as "coffee" (as opposed to "Hills Bros." or "Mountain Grown"), "tea" (not "Herb" or "Flow-Through") or "cola."

"If and when we ever see a generic product called 'wine'—as they have in France, where you just order *vin*—then the potential for the growth of light wines is enormous!" says Mr. Gomberg. "Ask Robert Mondavi, who added 'Red Table Wine' and 'White Table Wine' to his production in 1975 and went from 200,000 cases to almost 1,000,000 cases in three years."

As Mr. Gomberg sees it, the potential American wine market is 100,000,000 people, [approximately half the present population]. This figure excludes minors, those with religious scruples and those whose bodies react negatively to alcohol in any form. Of that number, only about 6% are regular consumers of table wine, and perhaps another 14% to 16% are occasional consumers.

"The remaining 80,000,000 will not become wine consumers by buying Cabernet Sauvignon and Chardonnay," asserts Mr. Gomberg. "It will only happen when there is a Joe Doaks White and a Joe Doaks Red, wines of 8% alcohol that are comparable with a European *vin ordinaire*."

The recognized (commercial) pioneer of low alcohol wines in California was and is San Martin's Ed Friedrich, who saw in low alcohol a means of preserving and framing the natural fruitiness of the grape.

"One of the reasons we appreciate fine wines is for their naturally fruity flavors," says Mr. Friedrich, who began his exploration of low alcohol wines with a Chenin Blanc that he dubbed "Soft" back in 1975.

It wasn't until 1979—retroactive to the 1978 vintage—that wines with less than 10% alcohol could be made for sale in California. Since that time Soft Johannisberg Riesling and Soft Gamay Beaujolais have been added to San Martin's production, though several other varieties have been produced experimentally.

Mr. Friedrich's work is grounded in the philosophy that wine is a food, a food whose alcohol is necessary *primarily* to

(Continued on Page M-20)

Richard Paul Hinkle is a Sonoma Valley-based wine writer whose articles have appeared in the Wine Spectator, Wine Country *and "Vintage." He is also the wine columnist for the* San Francisco Examiner *and has written "The Napa Valley Wine Book" and "Central Coast Wine Book."*

U.S. light and soft wine entries

Winery/Wine	Calories	Alcohol	Sugar	Retail/750 ml	Cases/year	Ad budget
Almaden						
Light Chablis	48	7.0	1.00	$3.25	600,000 est.	$300,000 p*
Beringer						
Los Hermanos Light White	58	9.0	1.53	$3.75/1.5	250,000 '81	$500,000 pr
Los Hermanos Light Rose	64	10.0	2.30	$3.75/1.5	[500,000 '82]	
Delicato						
Light	54	8.0		$3.69/1.5	25,000	$ 70,000 p
Geyser Peak						
Soft Johannisberg Riesling	57	8.5	2.90	$5.00	15,000	none
Soft Chenin Blanc	55	8.5	1.50	$5.00	6,000	
Summit Light Chablis	48	7.0	.80	$3.49/1.5	100,000	$100,000 p
Summit Light Rose	48	7.0	1.00	$3.49/1.5	100,000	
Paul Masson						
Masson Light Chablis	49	7.1	.88	$3.49	300,000 est.	n/a t
San Martin						
Soft Chenin Blanc '79		10.0	4.00	$4.75		
Johannisberg Riesling '80		8.2	10.00	$5.75	30,000	$ 50,000 p
Gamay Beaujolais '80		9.8	2.50	$4.50		
Sebastiani						
Light Country White	57	9.3	.20	$4.95/1.5	500,000 est.	$500,000 p
Taylor California						
Light Chablis	53	8.2	1.15	$2.99	1,000,000 –	$5,000,000
Light Rhine	55	7.9	2.10	$2.99	2,000,000	
Light Rose	58	8.6	1.45	$2.99		
Taylor						
Lake Country Soft White		9.0	4.00			
Lake Country Soft Pink		9.0	4.00	$2.79	n/a	limited
Lake Country Soft Red		9.0	6.00			
United Vintners Lejon (Soft)						
Chablis	71	10.0	3.00			
Burgundy	74	10.0	3.40	$2.49-2.99		
Rose	71	10.0	3.00		150,000	negligible r
French Colombard	68	9.8	2.50			
Chenin Blanc	68	9.4	3.00	$2.59-3.29		
Gamay Beaujolais	71	10.5	2.00			

*p = print
r = radio
t = television

Source: Richard Paul Hinkle

Fine wine retailers take lights lightly

With all of this talk of the light wines, what do the "premium wine" retailers think?

Ed Everett, editor and publisher of the "Wine Trade," a San Francisco-based industry newsletter, sees the market response to light wines as "erratic," noting that California sales patterns indicate a reluctance on the part of premium wine retailers to push the product.

"Out here, the light wines seem to be selling well in places like Sacramento, San Jose and the central valley. But in areas where wine knowledge is great—like San Francisco, Marin County, Berkeley or the Peninsula—the light wines are not selling well."

Conversations with retailers of fine wines from coast to coast confirmed that reluctance. "I'm still watching and waiting," says Tony Wood, manager of Beltramo's in Belmont, Cal. "We're not doing much more than filling the pipeline [filling the demand] with the light wines. Frankly, I hate 'em all. When I was a smoker, I wanted a cigaret with full flavor—no filters. As a wine drinker, I want something with distinctive character. The light wines don't have it. I suspect they'll do better in the supermarket than they will in the fine wine shops, especially here in the West. We don't sell nearly the quantities of the low alcohol imports as eastern stores do."

"Frankly, I hate 'em all. As a wine drinker, I want something with distinctive character."

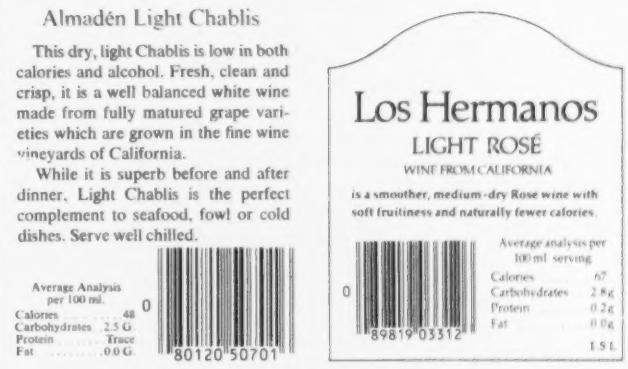
Like Beltramo's, Schaeffer's in Skokie, Ill., doesn't do much business in either American lights or the Lambruscos.

"I haven't found any that really taste bad," says George Schaeffer, "but they definitely do lack character. I think they're just a step above water, and a short step at that." He equates the light wines to light beers, in that "the American public seems to prefer neutral tasting beer! I suppose I ought to market these wines in the beer cooler, to appeal to the nonwine consumer, but I'm not all that enthused about the whole thing."

In New York, Peter Morrell doesn't even carry the light wines. "I've tasted them, and they're not unpalatable," he says without enthusiasm. "They tend to underwhelm me, which may be more a comment on my conditioning than on the wines themselves. We're going to take on the Taylor line in the spring." Mr. Morrell, who favors wine sales in grocery stores, suggests that the light wines ought to do well nationwide, especially in the summer. A golfer, Mr. Morrell is not really interested in a light wine unless it's dry, carbonated and in a can.

Actually, it won't be long before that happens. Almaden's entry into the market is lightly carbonated and Geyser Peak hopes to have canned light wines out by summer. Thus, the answer to expanding the market may simply be beer made from grapes! —*R.P.H.*

WINES IN THE TRADITIONAL FAMILY STYLE
August Sebastiani
1980
Light Country White
A Dry California Table Wine
PRODUCED AND BOTTLED BY SEBASTIANI VINEYARDS
SONOMA, CALIFORNIA ALC. 9% BY VOL. BONDED WINERY 876


Almadén Light Chablis
This dry, light Chablis is low in both calories and alcohol. Fresh, clean and crisp, it is a well balanced white wine made from fully matured grape varieties which are grown in the fine wine vineyards of California.
While it is superb before and after dinner, Light Chablis is the perfect complement to seafood, fowl or cold dishes. Serve well chilled.
Average Analysis per 100 ml.
Calories 48
Carbohydrates 2.5 G.
Protein Trace
Fat 0.0 G.
0 80120 50701
Los Hermanos
LIGHT ROSÉ
WINE FROM CALIFORNIA
is a smoother, medium-dry Rose wine with soft fruitiness and naturally fewer calories.
Average analysis per 100 ml serving
Calories 67
Carbohydrates 2.8g
Protein 0.2g
Fat 0.0g
0 89819 03312
ESL

Light wines are positioned as "food" through the listing of caloric, carbohydrate, protein and fat content on labels.

The lights

(Continued from Page M-18)

preserve the fruit juice. Modern fermentation techniques, he argues, are sufficient to stop spoilage, thus it is no longer necessary to maintain high alcohol levels to prevent spoilage. "Ironically, we didn't produce these wines with the thought in mind to serve today's ever so cautious weight-watching generation, or to please those who think light is chic, but only because some grape varieties simply taste better if their fruit is not masked with burning alcohol."

The swelling millions of cases of Italian imports point to the success of low alcohol and effervescence. The vast increase in the sales of light beers, diet soft drinks and sparkling mineral waters support the theory that appeals to "slimness" and "health" have successful repercussions. It would stand to reason that the combination of these appeals would be an obvious winner. Or ought to be.

The question here involves something marketing people refer to as "cannibalization." That the combination is a good one is accepted.

But at whose cost? Where will the new sales of light wine come from? From new wine consumers? Or will they merely cut into the sales of the more traditional wines?

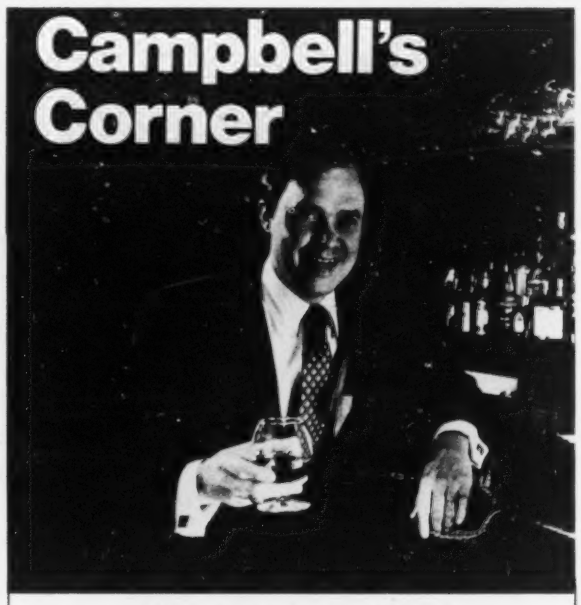
Marvin Shanken, publisher of *Impact*, *Market Watch* and the *Wine Spectator*, is convinced that the answer to that critical question will depend on marketing expertise. "As it stands, the 12% to 15% share of the beer market that the light beers enjoy has come at the expense of the regular beers," says Mr. Shanken. "The same situation holds in the sugar-free cola market. At present, I haven't seen enough light wine ads that are targeted toward the new wine consumer. The industry would love to attract new consumers through the light wines, but that's a function of effective advertising. The theory of marketing is to bring new customers to the marketplace, but the light wine marketing hasn't done that yet. The ads that are visible appeal to current consumers of wine. The future of light wines remains to be seen."

"It's an optimistic view that says light wines will grow tremendously and that most of that growth will come from their attraction of consumers new to wine," agrees Ed Everett, the San Francisco publisher of "Wine Trade." Mr. Everett, who sees the market response to light wines as "erratic, ragged thus far," notes that retailers of fine wines are approaching the light wine phenomenon with "great suspicion."

"The key may be whether or not Gallo moves into this area. Since Gallo seems to be more interested in the nonalcoholic wines that have been pioneered in Australia and France, my guess is that they will not enter the light wine market."

The exploration into light and soft wines carries with it great promise. First, there is the possibility that Americans will begin to understand wine as a basic food product, rather than as just another spiritous beverage.

Second, the developing technology that is part and parcel of the movement leads onward into the highly attractive twilight zone of alcohol-free wines. And each of these carries the potential of expanding what is now a relatively small American wine market. Dramatically. AA



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We know that wine has been gaining popularity among the business crowd over the past few years. It's no surprise these days to hear a request for a glass of wine at a business lunch.

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Retailers, miffed at industry neglect, have a cluster of gripes (and praise)

By B.G. Yovovich

Just as soldiers in the trenches can supply generals with crucial bits of intelligence, so can wine retailers provide strategists at wine company headquarters with a variety of useful—and sometimes surprising—information.

Like what?

Like leads regarding opportunities for major offensives, tips about market weak points and crucial insights into the morale of those manning the trenches.

Marketers at the major wineries, for example, might be surprised at how abandoned many of the wine store troops feel.

"The advertising done by the big wineries is designed to presell their wines . . . [so that] the winery won't need the wine retailer any more," says Leo Silverman of Sam's Wine Warehouse in Chicago, who echos the sentiments of many others around the country. "They want to gain universal acceptance [for the product] so that they can put the stuff on supermarket shelves and not need anyone there to sell it."

In fact, nettled by the increasing number of supermarkets carrying wine and beer and by the rising competition from cut-rate liquor outlets, virtually all wine retailers have rallied around their traditional redoubts: Service, selection and expertise.

"I never run an ad on a jug wine. I have to create an upscale identity and project the knowledge and the unique, unusual selection that we offer," says Atlanta wine retailer Frank Stone, whose ads often underscore the advisory services that are available to customers at his store.

"I may not be located for the everyday wine purchase [as local supermarkets and liquor stores are], but I want my customers to feel as though they can't buy wine for special occasions unless they buy from me."

"A lot of our advertising is for our Bordeaux [wines]. We're aiming at 2% to 3% of the wine-consuming public, but it is a group that is growing three to four times as fast as the rest of the wine market," adds Mr. Silverman, whose annual sales volume has tripled to $6,000,000 in the last six years.

Wine retailers also point out that more than 50 colleges and universities now offer degrees or degree credits in wine appreciation and that more than 600,000 people are taking courses in wine appreciation.

In light of these statistics and the merchants' personal experiences, some wine retailers believe the major wineries are making a mistake by concentrating all their efforts on mass-market, nonvintage wines. One retailer pointed out that sales of certain mass-marketed wines like Mateus and Lancers, often considered "starting wines," have begun to decline as wine drinkers become more sophisticated.

Wineries also may be surprised at the widespread retailer interest in more detailed information on wine labels.

"For most consumers, the only advertising they see is the label," says New York-based wine merchant Peter J. Morrell. "You don't want to bare the [wine's] whole life story on the back label," but more information would be welcomed by the retailer and consumer. And some retailers are offering more information.

In Atlanta, for example, Mr. Stone's Skinflint's store has established a 10-point flavor index rating wines according to how sweet (10) or dry (1) they are.

"Customers want to know what a wine tastes like, how it compares with other wines," says Mr. Stone. "Our customer comes to know what a '5' means. Maybe it is time for one [major] winery to take the plunge and set up its own standard."

There also is much support for increased label information on wines aimed at more sophisticated consumers, to include such things as pH, alcohol and residual sugar content—all of which play a major role in taste. It also has been suggested that labels on vintage wines include information explaining the optimal years for consumption. But not all retailers are convinced of the need for such information.

"Anyone who is telling you that [there is a demand for more detailed information] is reacting to a very small, but very vocal part of his clientele," says Darrell Corti of Corti Bros. in Sacramento, Cal. "The people who ask for that kind of information are the wine crazies. They're not interested in wine as a beverage, but as a mental exercise."

"You can't simplify wines that way," adds David Courtenay-Clack of the Wine Merchant in Beverly Hills. "It would be inaccurate. You would never get anyone to agree on the ratings, and the customer wouldn't pay any attention to them. I think it would be a waste of time."

Even those in favor of flavor ratings concede that there are likely to be significant problems in setting up universally accepted scales. As one wine expert points out, "If you have been drinking Mogen David, the Lancer's rose seems dry." A rating system's usefulness might also be undermined by Americans' tendency to "talk dry, but drink sweet."

The retailers' strong emphasis on more information also carries over to criticism of the major wineries' tv ads.

"The general life style commercials with all their sunsets, pretty girls and craggy-faced vintners are pretty hollow," says Don Robinson, wine director of Green's Beer & Wine Store, Atlanta. "It is important to create an ambience, but if it can be combined with a kernel of truth of information [about the wine], the long-term results will be better."

The danger with the current approach, explains the retailer, is that the wineries will end up with problems similar to those of Detroit's auto marketers who took a similar life style approach in their ads and ended up "underestimating the intelligence of the consumer."

Wine retailers also give nationally advertised wines mixed reviews for the local merchandising support they provide for their tv efforts. The Italian wines, for example, get high marks for the instore materials that they make available to retailers.

"Riunite is as strong as goat's breath in my market," says Mr. Stone, who attributes much of its strength to "aggressive use of instore materials. They've got decals, posters, doormats, maps of Italy with the Riunite logo on them and even cassette tapes with the Riunite jingle."

Similarly, Cella reinforces its commercials with point-of-purchase posters of its Aldo character that, says Mr. Stone, "some of my customers even talk to." On the other hand, says the retailer, "Paul Masson did the right thing the wrong way. Everyone recognized Orson Welles on tv, but Paul Masson didn't follow it up with instore materials, and the image of the ads was lost."

In addition to materials to be used at the point of purchase, other items frequently requested by retailers include ad slicks and logos that can be easily used in ads and in store catalogs that are distributed to customers.

Despite their various compiaints, virtually all of the wine retailers credit the major wine marketers with, in the words of Mr. Corti of Sacramento-based Corti Bros., "helping to remove the stigma of snobbishness that has been connected with wine.

"Wine is an everyday beverage, not a god or a museum artifact." AA

B.G. Yovovich is a Chicago-based business writer who frequently contributes stories on various marketing topics to Magazine/Section 2.

Top ten wine advertising companies 1979 versus 1980

(Millions of dollars)

Country	1979	1980	Change Dollars	Change Percent
E. & J. Gallo	$ 19,334.7	$ 25,910.6	$6,575.9	34.0%
Seagram	23,262.3	20,909.6	−2,352.7	−10.1
Wine Spectrum/Coca-Cola Co.	14,439.5	16,318.7	1,879.2	13.0
Heublein	18,780.3	14,294.1	−4,486.2	−23.9
House of Banfi	7,410.9	10,211.4	2,800.5	37.8
Brown-Forman Distillers Corp.	8,419.9	9,219.3	799.4	9.5
Almaden/National Distillers	5,591.3	6,816.6	1,225.3	21.9
Schenley/Rapid American	5,550.2	4,697.6	− 852.6	−15.4
Schieffelin/Moet-Hennessy	6,369.6	3,326.8	−3,042.8	−47.8
Renfield Importers, Ltd.	4,463.3	2,523.1	−1,940.2	−43.5
Total	113,622.0	114,227.8	605.8	0.5%
Total All Wine Advertising	$136,600.0	$135,500.0	−$1,100.0	0.8%

Source: Leading National Advertisers, Media Records, Radio Expenditure Reports and Impact estimates

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Imports graft new sales

By Roger McGrath

Fascination with imported products is only one factor in the continuing love affair Americans are having with imported wines. Effective advertising and shrewd marketing strategies that read correctly changing American palates are others.

Actually, the love affair has been going on since colonial times, and by the late 1800s, imports supplied about 25% of U.S. wine consumption. This percentage dwindled drastically with Prohibition and even after World War II, imported wines were only up to just 5% of the market, a position they held through the 1950s.

By the 1960s, however, Americans were growing more prosperous, casting appreciative eyes toward the European wines. This tendency was heartily reinforced by the French and German vintners who sent only their very best-quality wines to our shores. By 1968, imports' market share had reached roughly 10%.

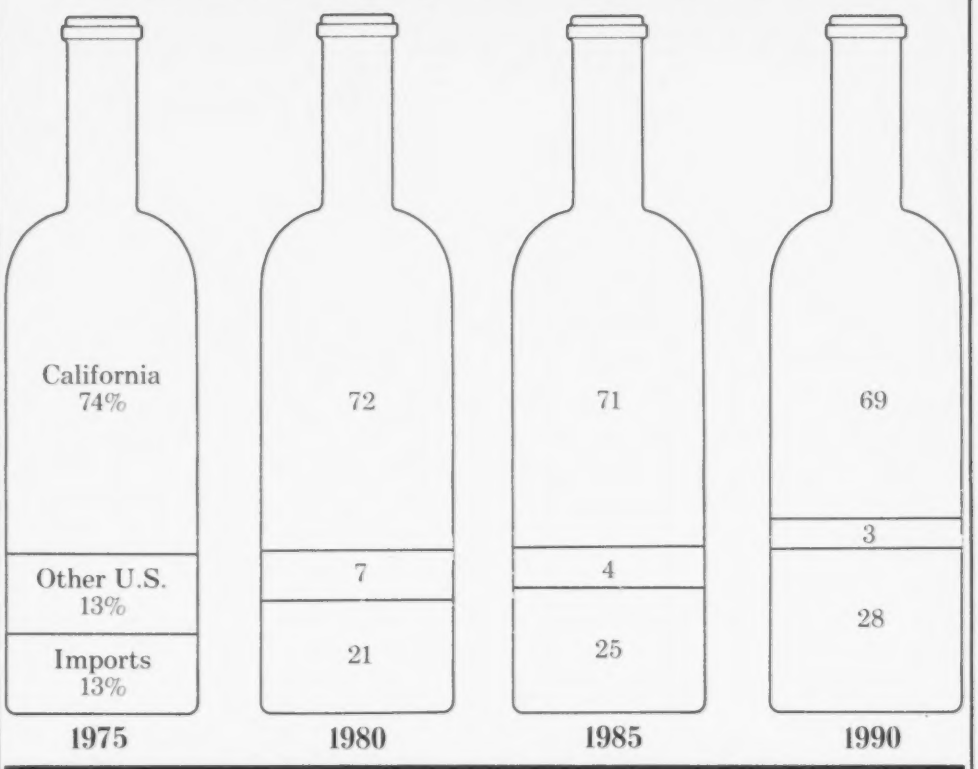
"Imports have always been a factor in the U.S. market," says wine industry consultant Louis R. Gomberg. "They have set the tone for the industry."

And they continue to do so, especially since 1975, when domestic producers stopped heavy promotion of apple-based "pop" wines. Again, as in the past, the Europeans—this time the Italians—saw opportunity, and rushed to fill the void with Lambruscos, led by Riunite. According to one wine expert, the Lambrusco is an "unusual red wine, almost always slightly sparkling . . . extremely fruity, somewhat sweet, with an intense and extraordinary bouquet." Not only were the wines fruity tasting, lightly carbonated and generally lower in alcoholic content, they were best served cold. "America's palate," notes one industry observer, "is in the icebox." And Riunite captured the American fancy.

Appropriately, importers took their marketing cue from soft drink makers and aggressively pursued the mass market, a strategy that continues to pay dividends. "They're well above 20% [market share] now, probably 22%," says Mr. Gomberg. And so the importers, having bottled a fifth or so of the market, are continuing their aggressive marketing and pricing strategies, positioning their wines as thirst-quenching, refreshment beverages for active life styles.

Roger McGrath is a St. Louis-based business writer.

Actual and projected market share



Source: IMPACT American Wine Market Review & Forecast, 1981

"The potential is virtually limitless," says Stephen Freedman, director of wine marketing at Renfield Importers Ltd., New York. "It's a nice position to be in."

Marvin R. Shanken, publisher of *Impact*, an industry newsletter, predicts imports will expand 11% a year—two points faster than the over-all market—during the 1980s and will finish 1990 with a 28% share.

That volume could easily be higher, says wine industry consultant Mr. Gomberg. He estimates that imports, in the absence of a domestic consumer education campaign, could increase market penetration one to two points a year. Imports climbed a rung to 22% last year, he points out.

"It has the [domestic] industry mildly concerned," he says.

Table wine consumption tripled during the 1970s, fueling imports'—indeed, the entire industry's—growth. Today, nine of 10 imports are table wines. Sixty per cent originates in Italy.

Sales of sparkling wines are bubbling, too. "That's the biggest growth category for 1982," says Jess DiPasquale of PepsiCo Wine & Spirits International, New York. The PepsiCo unit introduces a sparkling Rumanian wine late next month.

"Those types that appeal to American tastes and prices have done best," says Frank Gentile, senior vp-sales for Villa Banfi, importer of the top-selling Riunite, the Lambrusco generally credited with uncorking wine's mass market potential.

Industry observers figure a quarter of the market consumes 80% of volume. "There's room to grow if you can get the other 75% of the population to chomp on it," says John C. Maxwell Jr., first vp, Lehman Bros. Kuhn Loeb, New York.

That's precisely the target importers are aiming at. "They're going after the mass audience," Mr. Gomberg says.

Key to reaching the masses is television. "It has the most impact of any medium when you have a mass market product," Renfield Importer's Mr. Freedman says. Other importers agree. In 1980, the top three advertised imports—Riunite, Bolla and Cella—spent 97%, 90% and 100% of their ad budgets on tv. Domestic marketers averaged less than 75%.

When Renfield took over the third largest import (Giacobazzi) in September, Mr. Freedman immediately resumed airing "Make friends with Giacobazzi" spots made for the previous importer. "We wanted to get on the air quickly," he explains. New creative is due this summer.

Much of the advertising is aimed at new wine drinkers. Yago Sant'gria spots breaking in April will spoof macho beer advertising. The goal, says PepsiCo's Mr. DiPasquale, "is to get the attention of entry-level consumers." The ads also will feature Yago's six-pack in bottles.

Another important mass market ingredient: Low cost. "The availability of low-priced wines tends to expand the market," observes Rex Davis, executive director of the National Assn. of Beverage Importers.

"Everybody's looking for a good value today," agrees Kevin O'Brien, vp, Charles Jacquin et Cie, Philadelphia. The price of the importer's Jean Boulaine, a premium French table wine, is below most domestic competition, "so we hope our pricing will outweigh our not having multimillion dollar advertising." But the Italians are way ahead.

Why? According to *Impact's* Marvin Shanken, "A combination of reasonable, competitive prices and strong brand-building activity on the part of the Italian table wine marketers has moved the marketplace decidedly in their favor."

"The French have begun to take strong action to counter that," Mr. Gomberg says. "And I expect the Germans and Spanish to do likewise."

The French, in fact, are highlighting low-priced table wines in the new "Foods & Wines of France" promotion. The Spanish Rioja Council, along with importer PepsiCo Wine & Spirits, is running a 10-city newspaper campaign telling consumers "how inexpensively you can pick up" the $4-a-bottle Rioja wines, Mr. DiPasquale says.

Importers are actively pushing wine into mainstream distribution, going head-to-head with beer, soft drinks, iced tea and other "refreshment beverages." First stop: Supermarkets.

Although only 20 states allow wine to be sold in grocery stores, Villa Banfi earlier this month rolled out "the first national program geared specially to mass volume supermarkets," says Frank Gentile, senior vp-sales. Grocers sold about 60% of Riunite's 11,000,000 cases last year.

The five-part promotion teams Riunite with picnic foods, watermelon, snacks, Thanksgiving and the Christmas holidays in one free-standing display. "These displays assist the supermarket in promoting other items in the store," he says. A "Riunite is a picnic" banner, for example, ties products scattered throughout the store—hot dogs, buns, mustard, even paper plates, napkins and charcoal—into the promotion.

Villa Banfi's goal: Position Riunite as an "anytime" beverage. Advertising encourages consumers to keep the wine "right next to the orange juice, beer and soft drinks." "We have to let them know it's okay to drink at midday, as a cooler, for refreshment," Mr. Gentile says.

Most importers are pushing similar positioning. Yago Sant'gria is now available at 12 professional athletic stadiums, including the County Stadium in Milwaukee, onetime U.S. beer capital.

Importers also are eager for what an official at Paterno Imports, Chicago, calls the market's "natural drift" to drier premium and superpremium wines. "There's definitely a trade-up pattern," Renfield's Mr. Freedman agrees.

And marketers aren't bashful about capitalizing on America's infatuation with imports. "The fact that it says 'imported' on it enhances its image value," Louis Gomberg says.

"People in America perceive wines coming from France as being of very high quality," says Mr. O'Brien of Charles Jacquin.

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Consumers hold the cards: This 'fad' won't fade

By Robert B. Morrisey

Back in the mid-1960s when dessert wines dominated sales in America, a discerning observer of the wine scene boldly forecast a "wine revolution" in the upcoming '70s. At the time, his remarks were generally ignored by the wine industry, and forgotten—for a few years.

By 1970, an American wine revolution had, indeed, begun. Wine consumer tastes were changing nationally in favor of table wines, and the venerable Leon D. Adams, respected wine historian and author of "Wines of America," and "Commonsense Book of Wine," could say unequivocally: "I told you so."

Making his bold prediction in an address to Ohio wholesale wine dealers in Cincinnati in September, 1965, subsequently published in a leading wine industry magazine, Mr. Adams revealed a "buried" statistic that showed how rapidly table wine was then coming on, compared with dessert wines. For him, it promised that "the industry's stepchild, table wine, obviously would soon become a giant," revolutionizing the wine business.

Whether or not the latest innovation—"light" or "soft" wines—is a winner depends on yet-to-be determined consumer acceptance.

He admits today that even he did not realize at the time just how swiftly the revolution would occur—and how explosive it would be.

And as the transformation picked up momentum, relatively few in the business of making and selling American wines clearly read the rapidly developing consumer trends that were accelerating the upheaval. None, for instance, really anticipated the "white wine boom," as many vintners indifferently went about increasing their planting of red wine grapes.

Nor did they read early the changing cultural climate in America as it affected drinking habits and attitudes. "Drunkenness was going out of style," Mr. Adams observes. "Wine, in turn, was readily associated with good manners and gracious living, as it is today."

While wine surely has generated a lot of excitement in America over the past decade, it is far from being the nation's leading consumer beverage. Annual per capita consumption has "reached" just over two gallons (double that for California), ranking us about 30th among wine-consuming nations.

Now, if wine has become such an accepted alcoholic beverage of dignity and moderation, how come such a low U.S. consumption per capita? Good question; startling answer. About 4% of the adult American population drinks about 53% of all wine consumed in our country. So found a national probability study done by Wine Spectrum, Coca-Cola Co.'s wine marketing arm, about two years ago. To qualify for membership in the elite "four-percenter" category one must simply consume wine four or more times a week.

And the same study found that 68% of adult Americans drank no wine at all during a controlled 30-day period!

Even if there has been a small increase in the per cent of "serious" (four-or-more-times-a-week) consumers since the Wine Spectrum study, it is obvious that relatively few Americans consume a relatively large amount of the grape to support our current, unexciting two-plus gallon per capita rate. And these heartier consumers constitute a public unto itself, one that exerts a positive influence in today's wine marketplace.

To reach this special public, scattered as it is throughout the nation's population, both American and foreign wine producers are nowadays budgeting millions for media advertising, including big bucks for prime time tv.

Wineries jump at opportunities to pour their wines at major public tastings, wine festivals and large seminars where frequently 100 or more different winery tables line the four walls in a single auditorium or hall. It's a means to confront, eyeball-to-eyeball, a large number of four-percenters who often travel far and pay large admissions to be "updated" on the wine scene.

And while good advertising may influence some knowledgeable consumers to try a particular brand, producers have learned that educated palates frequently dictate final judgments.

To participate in major tasting events is to offer a winemaker's best wines for on-the-spot evaluation.

Because the serious wine consumer's thirst is not only for wine, but for wine knowledge, there are today about 500 wine writers who are published regularly or sporadically in some form or another. A number of them are widely and well read in leading newspapers and magazines, and some have authored books on wine, of which there have been an abundance in recent years.

Not only do most written wine words have a strong influence on consumers, they frequently influence winemakers. A "rave" notice about a particular wine by a widely read and respected wine writer has caused that wine to be sold out virtually overnight. On the other hand, a bad review about a winery or its wines can add dust to a producer's inventory.

And how better to satisfy this thirst for knowledge than to attend formal educational courses devoted specifically to the subject of wine. At last count, there are about 1,000 well-attended wine courses being offered in the U.S., the majority conducted at 600 different colleges and universities. The national Society of Wine Educators boasts over 600 members.

Do beer and spirits consumers have their own private newsletters, magazines and newspapers? Do they have their own membership organizations that meet regularly to hear makers talk up their products and to taste, compare and critique them? Do they have the benefit of formal judgings by experts who bestow medals for brand superiority? Wine consumers have all of the above. Their fierce dedication to the fermented grape product has created a demand—and the support.

All that said, let the record show that today's devoted American wine consumer is already—or is on his or her way to becoming—sophisticated. Many experts allow as how today's American consumers are, in fact, more sophisticated than any others anywhere. And these affluent aficionados will continue to dictate American wine trends.

Some marketers (and producers) still insist that the white wine boom is a fad that will fade. Others insist that red wine will soon dominate once again—and forever after.

But consumers are performing to the contrary.

Peter Sealey, vp-market planning and marketing services for Coca-Cola Co.'s Wine Spectrum, noted in a recent speech that "we might believe that as people become more sophisticated wine consumers, they will drink more red, but this is simply not true in the over-all premium-priced market. The trend there to white is even more pronounced."

Statistically, red wine shipments to market in 1981 were down about 2% from 1980 figures, according to California's Wine Institute (the trade association for California wineries) compilations. White wine was up 14.8%. No trend to red yet. Champagnes or sparkling wines are asserting themselves somewhat. U.S. shipments from France last year set a new record, and for the first time exceeded French Champagne shipments to any other country.

A rave notice about a particular wine by a widely read and respected wine writer has caused that wine to be sold out virtually overnight.

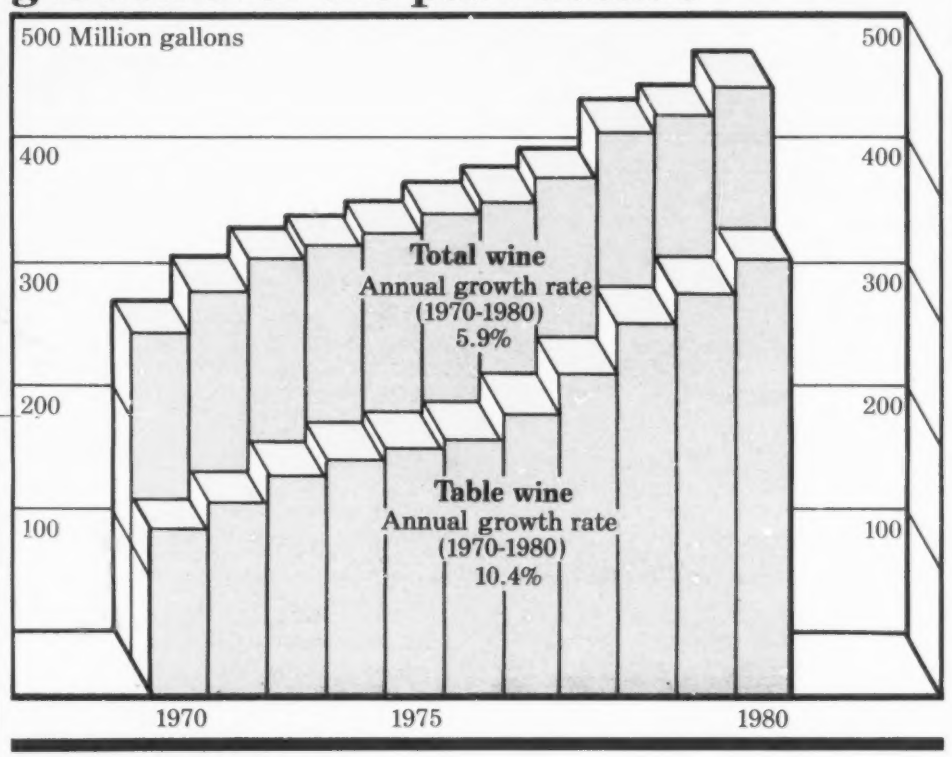
Whether or not the latest innovation—"light" or "soft" wines—is a winner depends on yet-to-be-determined consumer acceptance. The industry remains divided as to their success. The same goes for wine marketed in cans. The wine may taste the same, but consumers have been raised on bottles. Wine-in-a-box is becoming practical and economical for restaurant house wine dispensing, but it is still not common in consumer refrigerators. Again, it's the bottle training.

Meanwhile, the man who rightly predicted the wine revolution 16 years ago says now that America's wine consumption can and will easily exceed 10 gallons per capita when wine can be purchased in *all* grocery stores throughout the U.S., not in just some locales.

"I know that statistics show that more women buy wine these days than do men," Mr. Adams acknowledges, "but when any woman shopper can easily pick up wine along with her foodstuffs, consumption will take off.

"We're in the midst of a great experiment," he concludes, "and all of us are subjects. If Thomas Jefferson was right when he said 'no nation is drunken where wine is cheap,' then our increasing wine consumption will cause drunkenness to decline, and drinking will have become civilized in America." AA

Table wine growth versus total wine growth over the past decade



Source: Impact Databank

Robert B. Morrisey, president of the Morrisey Group, an advertising agency in San Diego, is a wine writer, educator and consultant. He was the founder of the Wine Spectator.

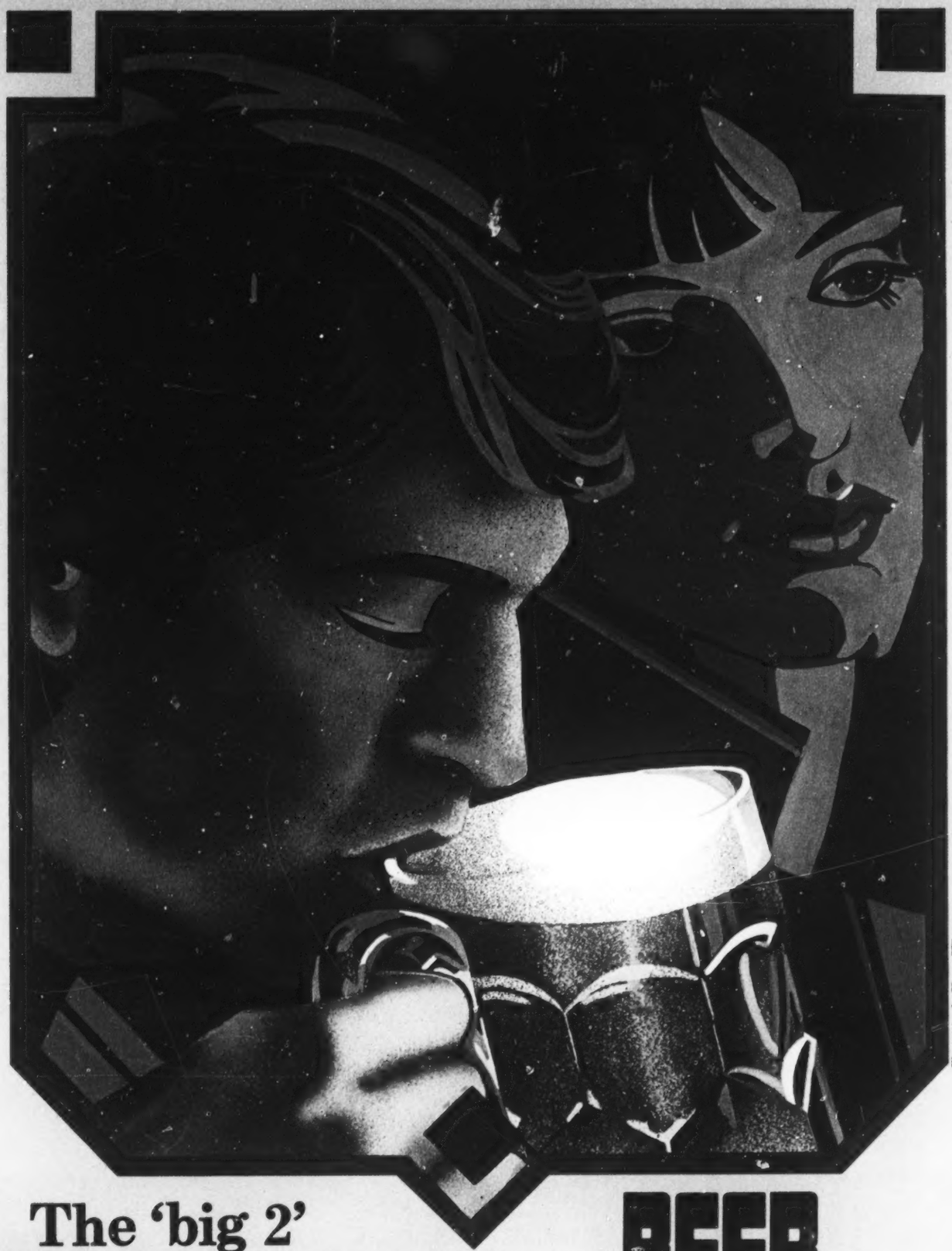


Illustration by Nancy Macgregor

BEER

The 'big 2' strengthen their grip

By Anna Sobczynski

Kingdoms in the beer industry come in two sizes: Giant and small.

On the one side are the vast expanses of the first tier of breweries—Anheuser-Busch and Miller Brewing Co.—always overlooking the others from atop the highest hills.

On the other side are the entities of the "second tier," ever worrying about survival, always conscious of their vulnerability.

It is easy to understand why those of the second tier might feel a bit warier than usual these days. The two giants of the industry, though they clash mightily in their intramural contests, command power and respect. And what they do—or don't do—in many ways shapes the beer industry as it is known today.

Riding its famous Clydesdale hitch, Anheuser-Busch is now blissfully trotting along at the top of the brewing industry, where it holds a commanding lead.

With a 28% share of the nation's beer market, the St. Louis-based company enjoys an enviable vantage point over the rest of the industry.

But there is always the danger of smugness that comes with being No. 1, and Anheuser-Busch refuses to succumb to that temptation.

The company's advertising budget, its marketing strategy and its expansion plans all bear out A-B's conviction that if its "King of beers," Budweiser, and the rest of the royal court are to reign supreme, their subjects must believe that the palace residents continue to earn loyalty.

The year 1982 marks Anheuser-Busch's 25th year as the most popular head of beer on the nation's steins. Ever since

(Continued on Page M-38)

Anna Sobczynski, a business writer in Wheaton, Ill., is a frequent contributor to Magazine/Section 2.

The 'big 2'

(Continued from Page M-37)

A-B wrested the lead from Jos. Schlitz Brewing Co. in 1957, the company continues to climb higher every year. But no fanfare or fireworks are being planned for its milestone anniversary.

"We had thought about making a public statement or featuring the 25th year at the top in our advertising, but we decided against it," says Michael J. Roarty, vp-marketing. "We don't want the consumer to think we're so pleased with ourselves that we forgot him."

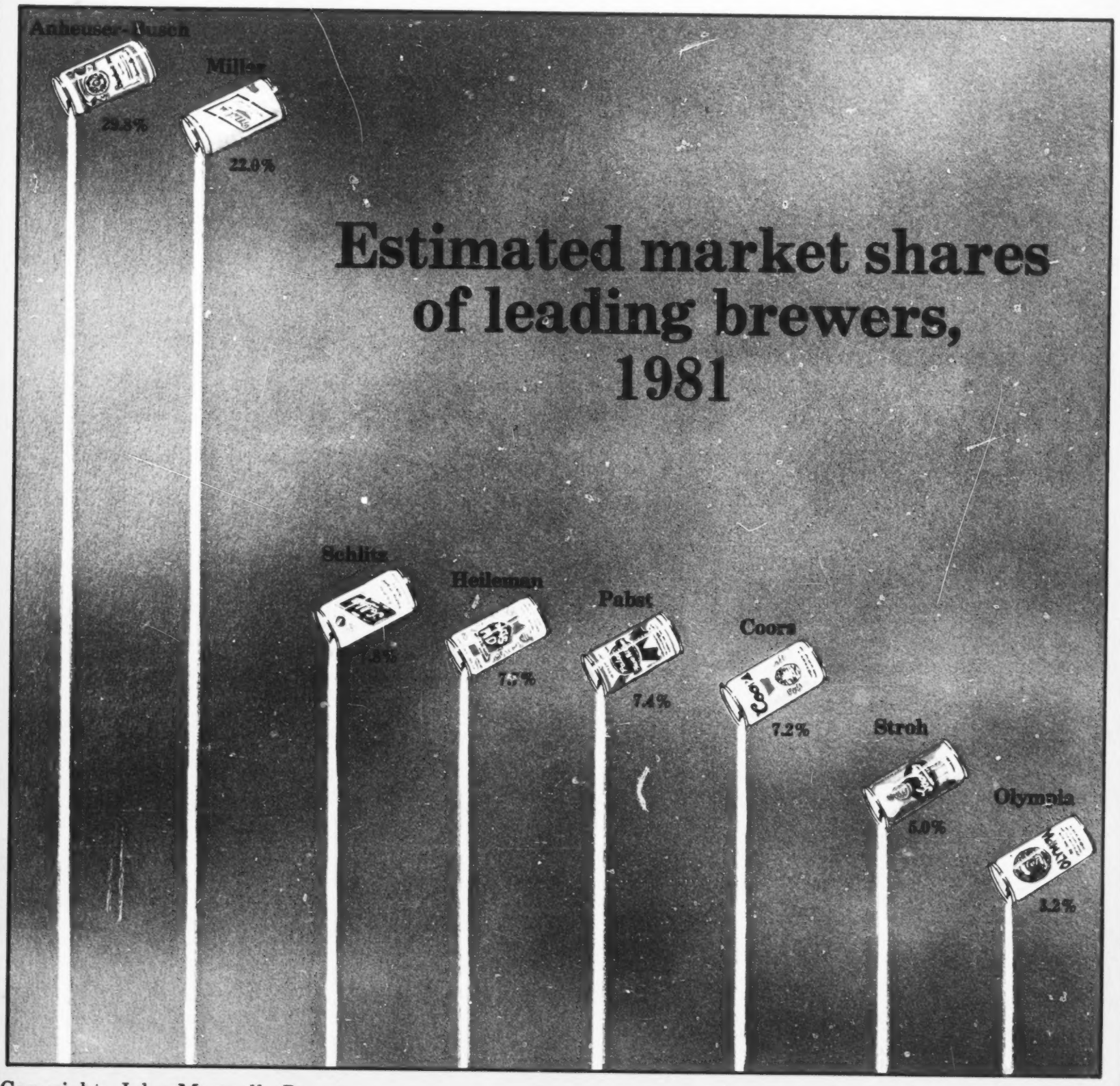
One thing Anheuser can never allow itself to forget is who's No. 2. Miller Brewing Co.'s claim to fame rests on its aggressive and skillful marketing, which has given A-B a run for its throne for the past 12 years. Miller, a subsidiary of Philip Morris Inc., makes no secret that its fight for the froth on top will continue to be an unrelenting one. And no one realizes that better than A-B.

As these two giants battle it out in a market they dominate together, other brewers, especially those in the "second tier," stand by lamenting their position and scheming—perhaps romantically at times—to get a larger piece of the manor.

Even though A-B has been growing at a rate roughly four times the industry norm (8.5%, compared with 2% to 3% a year), registering a healthy $4.4 billion in gross sales last year, it has been forced to run to keep itself ahead since Miller set a rapid pace in 1973.

Before 1970, the beer industry had been busy doing what it does best—brewing beer and satisfying the taste buds of its vaguely defined audience, the beer drinker. Enter the two words that "changed the competitive nature of the industry," says industry consultant Robert Weinberg of Weinberg & Associates, St. Louis. Those two words —Philip Morris—brought their own new word to the brewing industry: Marketing.

It's ironic that an outsider brought such irrevocable change. The lesson Philip Morris taught was that the marketplace is not a cosmic unknown, but a definable, diverse and, above all, reachable grouping of entities. As Philip Morris began



Estimated market shares of leading brewers, 1981

Copyright: John Maxwell, *Beverage Industry*, Feb. 5, 1982. Source: Lehman Bros. Kuhn Loeb Research

to untangle the web, Miller began to "understand who was drinking beer—culturally, ethnically, socially and economically," says Alan G. Easton, vp for corporate affairs at Miller.

And so this, at the time, seventh ranking upstart kid, whom few took seriously save for his doting parent, applied his new-found knowledge so effectively he was able to bypass such brewing biggies as Pabst, Blatz and Schlitz on the way to the near-top—No. 2.

Meanwhile, the giant at the top couldn't help but sit up, take notice and delve into marketing know-how with unabashed fervor, as Miller edged ever closer. Even the people at Miller today will agree that A-B skillfully learned to use the tools of its master competitor. "They have been good and fast learners," Mr. Easton says.

But what stunning marketing feat of Miller's made Anheuser sit up and first take notice? Once Miller had defined its audience, it realized that the advertising effort that supported its flagship brand had been made to the wrong market segment. Miller High Life was so much Miller's No. 1 product that it almost made Miller a one brand brewery. It was exotically referred to as "the champagne of bottle beers."

The analogy cited the high brow tastes of the country club set who drank the beer with relish, but while the tennis crowd tastefully downed a beer or two after a jaunt on the courts, they were not the volume beer drinkers. The everyday man who drank beer, drank *it* and not champagne!

This is why Miller's first advertising effort was a sort of uncampaign. That is, its purpose was to undo the country club image of High Life, to "neutralize the perception," as Miller's Mr. Easton describes it. Associating the product with everyday things and events, the 18-month effort culminated with Miller's 1973 unveiling of "Miller time." That campaign, which was developed by McCann-Erickson, New York, presented Miller High Life beer as a reward to anyone for a job well done. The time spent in enjoying that reward was, of course, "Miller time."

Today, that phrase is more than an advertisement, Mr. Easton explains. "Miller time has passed into the American lexicon," he says. "It's an idea. Now

(Continued on Page M-40)

'Second-tier' players jockey for position

Schlitz

Jos. Schlitz Brewing Co., the dethroned leader of the brewing industry, is now a distant third, behind Anheuser-Busch and Miller Brewing Co. and on top of the "second tier" of breweries. In 1981, Schlitz had an estimated 7.8% share of the market and just more than $1 billion in pretax revenues. Still, its current standing in the industry is a noteworthy accomplishment in face of overwhelming odds.

In its recent history, the Milwaukee-based brewer was crippled by a number of crucial mistakes or misjudgments. Among them was a reformulation of the company's flagship brand that ultimately led to consumer dissatisfaction.

According to an industry observer, the Schlitz product today is probably even better than it was before the reformulation, but its reputation has been hurt.

Despite a decline in barrelage last year, the company has been making a slow but purposeful recovery under the leadership of chief executive officer Frank Sellinger, a 47-year brewing industry specialist and a master brewer. Heading a new management team, Mr. Sellinger has put support behind a campaign that has gone through several stages. (One industry analyst estimates that Schlitz, together with Adolph Coors Co., spend the most money-per-barrel on advertising.)

Mr. Sellinger is Schlitz' spokesman in the J. Walter Thompson U.S.A.-created ads.

Last year, G. Heileman Brewing offered to buy Schlitz for $494,000,000, but the U.S. Justice Department opposed the merger. Carol Vollmer, manager of corporate communications with Schlitz, says the brewery continues "to pursue its business as an independent company."

But Jerry Steinman, editor and publisher of "Beer Marketer's Insights," an industry newsletter, says the two companies are still talking.

Heileman

Russell Cleary, head of G. Heileman Brewing Co., has been ungraciously referred to as the "guerrilla fighter" of the brewing industry. It is a term used with respect, however. He has been described as a pricing and marketing wizard.

G. Heileman, based in La Crosse, Wis., is the country's fourth largest brewer, having raked in revenues in excess of $931,000,000 last year. The company's earnings have been up 19 of the last 20 years.

But, whereas second-tier breweries have been said to be "in trouble," Heileman looks to be immune from the danger and Mr. Cleary's unconventional approach to marketing is cited as the reason.

The brewer has no national brand to compete head-on with the likes of Budweiser or Miller High Life. Instead, Heileman distributes more than 30 brands, primarily throughout the Midwest, Colorado, Arizona and Kentucky.

When Heileman takes over a brewery, the list is augmented by another member of who's who in the history of brewing. For starters, there are Blatz Brewing Co., Jacob Schmidt Brewing Co., Rainier Brewing Co. and Drewery's Ltd. U.S.A. After acquiring them, Heileman did not move in its existing brands. Instead, it continued to sell the products of that regional brewer.

The result is "we don't undermine the awareness people already have in those markets for those products," says Ron Drout, vp-brand management. Its Old Style brand, for example, commands almost a 37% share of the Chicago market, according to Mr. Drout.

Heileman is primarily a marketer of popular priced beer, and it has 11 brands in the lucrative light beer category. Having so many entries in these areas could prove even more fortunate for Heileman. Donald Rice, an industry analyst with Blunt, Ellis & Loewi, Milwaukee, says that for the first time in a decade, the popular priced segment of the industry is *the* hot area.

Pabst

"If anyone can save Pabst and bring it out independently, it's Bill Smith," says Mr. Rice, the analyst with Blunt, Ellis & Loewi. William F. Smith became president and chief executive officer of Pabst Brewing Co. last fall after he came from Pittsburgh Brewing Co., which he is credited with saving.

The hope is that the management reshuffling and proxy fights that have been plaguing the company will finally subside so that Pabst, which had $811,000,000 in revenues in 1981, can once again concentrate on the business of brewing.

Much attention has focused on a proxy fight between the Pabst board of directors and Minnesota entrepreneur Irwin Jacobs, the largest stockholder in Pabst. The issue may be resolved when Pabst has its annual meeting in April.

But besides skirmishes at the top, the company's flagship brand has been "suffering from atrophy," as an industry observer notes. For a long time, Pabst has been trying to "premium-ize" its Pabst Blue Ribbon beer.

That's somewhat paradoxical because, before these attempts to upgrade its image, Pabst had been considered a premium product. In fact, in 1893, Pabst was picked as "America's Best Beer" at the Chicago Columbian Exposition. Some blame Pabst's "premium beer at popular prices" strategy for the product's lowering in sales and stature.

At any rate, to help enhance its standing, Pabst has put its money behind a "real taste of beer" campaign that relies on testimonials by "real people" attesting to the worth of the product. McCann-Erickson, New York, is the agency.

Meanwhile, Pabst is attempting to acquire Pittsburgh Brewing Co. for $7,800,000. Both sides have reached agreement in principle.

Among its brands, Pabst now offers Pabst Light, a low-calorie version of its flagship brand. It is also scheduled to go into test during the second quarter of this year with Jacob Best Premium Light, a 96-calorie entry.

Coors

Adolph Coors Co., the sixth largest brewery in the country, with net sales of $929,900,000 in 1981, has long been a name associated with the mystique of the West and the mountains, perhaps because it isn't available in the East. Coors now sells its brands in 20 states, and the company claims to be No. 1 in Texas and growing in California.

It would be a happy state of affairs for the Golden, Colo.-based brewery, were it not for the fact that both Anheuser-Busch and Miller Brewing Co. place those two areas of Coors strength high on their lists of "must-haves."

Though the main battle is being waged between the Big Two, Coors is in danger of getting hurt. And it must keep a tenacious hold on its Texas and California markets in order to survive.

Of the A-B and Miller challenges, Bob Keyser, corporate communications representative with Coors, says: "They're out to prove they have deeper pockets than anyone else. But we'll be competing aggressively in those two areas. We know the two majors are targeting those states, and we're up to the challenge."

Coors' own pockets, at least for advertising, have also been deepening over the past few years. The company's ad budget increased from $9,000,000 in 1976 to just under $90,000,000 in 1981. That increase has been the price paid to remain a strong regional brewer.

Company philosophy is to increase market share in Coors' own area and then to consider expansion. In face of A-B and Miller challenges, that strategy may be particularly significant in the near future. The Golden plant is being expanded in order to reach 20,000,000 bbl. capacity by the mid-1980s. The company produced 13,3000,000 bbls. last year, slightly less than the year before. The company has also bought land in Rockingham County, Va., with long-range plans to build a 10,000,000 bbl. facility there.

Coors Light, one of the later entries into the category, is said to hold a 10% share of all light beers sold. Figures show it grew by 35% in 1981 over 1980. A campaign created by Ted Bates & Co., New York, emphasized the "surprise" the consumer experiences in finding out how well Coors Light tastes.

Meanwhile, the company is testing two brands for the superpremium market.

One is George Killian's Irish Red Ale, which is being tested in Santa Barbara, Monterrey and San Francisco, Cal.; Wichita, Kan., and Colorado Springs, Colo., is scheduled to be rolled out into the Coors market area throughout 1982.

The other product in test is Herman Joseph 1868.

Stroh

Stroh Brewing Co., the nation's seventh largest brewer, holds about a 3.8% share of the national market. The regional brewer distributes in 28 states, most of them in the Midwest, Southeast and now parts of the East since its acquisition of the F&M Schaefer Brewing Co. last year.

Although limited distribution is a problem that plagues the regionals, Stroh capitalizes on it in its advertising. Its agency of record for the past 14 years, Doyle Dane Bernbach, devised a campaign where people go out of their way to find a Stroh's. The ad budget totaled about $16,000,000.

Stroh plans to expand into Florida this year with Stroh and Stroh Light. It also plans to introduce a new superpremium product in May.

Olympia

Olympia Brewing Co. has capitalized on an invasion by alien beings since the fall of 1980. Americans have gotten hooked on the Artesians.

Chiat/Day of Los Angeles, the agency for the Olympia, Wash.-based brewery, created the highly publicized Artesian campaign, receiving inspiration from the artesian well water the company's beer is made from.

The campaign has won accolades for its creativity. But, as one analyst says, "It sells T-shirts. The only thing it doesn't sell is beer." The company had a $1,400,000 loss on revenues of $393,000,000 in 1981. The loss represented Olympia's first since Prohibition.

Olympia executives, while acknowledging that the campaign hasn't made Olympia a runaway overnight success, profess to be assured that the company is in line for better days.

Olympia continues to rely on the sale of its flagship brand and Olympia Gold, its entry in the light field. According to the company, "Oly" Gold is the No. 1 light in the Pacific Northwest, the company's home territory, No. 2 in Chicago and third in California.

But the brewer's 3.2% national market share was not generated by the sales of Olympia and Oly Gold alone. The company also owns the Theodore Hamm Brewing Co. and Lone Star Brewing Co., which give Olympia plants and markets in St. Paul and San Antonio, respectively.

After acquiring Hamm's, Olympia resurrected the Hamm's bear figure, which is now 25 years old. Partly as a result of this campaign—"From the land of sky blue water" is the theme—the brand has been turned around after more than a decade of declines. —*A.S.*

Heileman bottles a can-do philosophy

By Jack Hafferkamp

Last October, the U.S. Justice Department announced that it was opposed to a proposed merger of the G. Heileman and Jos. Schlitz brewing companies, a logical combination that one industry observer describes as "fitting like a hand in a glove."

That opposition was a great blow to the aggressive, ambitious La Crosse, Wis.-based Heileman, which hoped by the move to leap from the industry's second tier to almost equal partnership with the twin goliaths of beer, Anheuser-Busch and Miller Brewing Co. Now, after a winter of quiet discontent, it appears that Heileman plans to continue its industry-leading growth pattern and does not intend to let the merger matter rest.

Jack Hafferkamp is a business and free lance writer in Chicago.

In the beer business of the last two decades, Cinderella's last name has been spelled Heileman. The industry's major historical theme has been the elimination of the nation's small and medium brewers and a concentration of half the country's total beer market in the hands of just two companies, A-B and Miller, a division of tobacco giant Philip Morris Inc. Yet while other local and regional brewers have gone down around it, Heileman's industry position has risen from 31st to 4th. None of the competing second tier brands (Schlitz, Pabst, Coors and others) has matched Heileman's growth. In 1981, Heileman was the only major brewer outside of A-B and Miller to show volume, sales and earnings increases. In 1982, its sales are expected to exceed $1 billion for the first time ever.

"Heileman has succeeded because it didn't attempt to become a national one-brand brewery," explains Don Rice, senior market analyst with Blunt, Ellis & Loewi, Milwaukee. "By beer industry logic, it did everything wrong. Economic necessity led Heileman to use a technique best described as multibrand, multiregion marketing. And it's worked."

Old Style, the company's flagship brand, is emphasized in Chicago, Wisconsin and contiguous states. Rainier leads in the Northwest. Schmidt is in and around Minnesota's Twin Cities; Wiedemann around Cincinnati, and Carling Black Label in Baltimore. This company policy often has been described by Russell G. Cleary, president, chairman and chief executive officer, as "you go fishing where the fish are."

"I think Heileman management understood where the beer business was going," says Mr. Cleary, a veteran of 22 years with Heileman. "We knew that you couldn't rest on your laurels selling a good product in two or three states. We knew you had to develop a long-term survival strategy. If we were too limited in our geographical distribution, we would be vulnerable to the big guys. We have tried to develop a collection of regional breweries by joining other regional brands with the original Heileman brands.

"Our objective has been to increase the penetration in the markets that are natural to us, and—secondarily—to broaden our base throughout the country. Thus we acquired Blatz in 1969, Rainier in '77, Carling-National in '79 and so forth."

Altogether, Heileman puts out 30-odd brands, with its eight major labels (Old Style, Blatz, Rainier, Colt 45, Schmidt, Black Label, Wiedemann and Special Export) accounting for about 80% of total output. Throughout its entire development program, Heileman has sought to avoid "leap frogging," jumping into distant, hostile territory. The preference has been "to grow contiguously," a style developed to promote Heileman's chief preacquisition product, Old Style, which is the No. 1 selling beer in Wisconsin and Illinois.

"Right now," says Mr. Cleary, "the main targets for our Old Style development plan are Michigan, Indiana, Iowa, the Dakotas, Nebraska, Missouri and Southern Illinois. The goal is to get distribution on a wall-to-wall basis."

Analyst Mr. Rice believes that

Second tier

(Continued from Page M-39)

when somebody just does something well, his reward period has come to be known as 'Miller Time.'" Miller Brewing has been reaping the rewards of its own "Miller time" since.

The following year, Miller caused ripples of laughter to run through the competitor's brewery when it unleashed Lite on an unsuspecting industry.

Everyone guffawed at the ludicrousness of the "diet beer" concept, which had been tried in the past by several brewers and failed. Everyone that is, except Miller.

You will remember that targeted segment marketing and market analysis were the cornerstones of the Philip Morris philosophy, and they figured highly in Miller's belief in the viability of its new product. Lite may have been a lower-calorie product, but its merit was not translated into a calorie count for the diet conscious.

Miller took the Lite concept light years away from dieting and thus a new campaign and a new product were born. "Tastes great. Less filling" is still the brand's campaign theme.

"Miller took a brand and created an industry [light beers]," says Donald Rice, an industry analyst with Blunt, Ellis & Loewi, Milwaukee. "They changed it from a diet product to a macho product and ran with it."

Miller prides itself on the longevity of its themes, which Mr. Easton believes is an important aspect of the company's marketing successes. As he points out: "Other major brewers have cycled through a variety of campaigns. Once we develop our creative strategy and theme, we stick with it. As an advertising agency representative once explained Miller's enduring product themes, 'If it ain't broke, don't fix it.'"

Lite enjoyed a 60% share of market in 1981, according to several industry sources, and and the campaign is now entering its eighth year.

A new version of the national "All Stars" campaign, a bowling tournament, debuted on March 14. The campaign's spots continue to feature known personalities, predominantly former athletes—"the kind of guys you'd like to have a beer with," as Mr. Easton describes them. Weekend television sports shows are the primary vehicle for the campaign.

"Miller took a brand and created an industry. They changed light beers from a diet product to a macho product."

In fact, all of the beer industry has become sports oriented. Miller claims that its original market research precipitated the trend toward sports when it discovered that the demographics of America's sports fans pretty well match those of the volume beer drinker.

Here again, Anheuser-Busch was a perceptive pupil. The company now claims to be the largest sports sponsor in the U.S.

Knowledge of one's market area alone, however, does not a successful brewer make. A-B and Miller together would not command 52.6% of the market if they didn't have the vast financial resources to realize their findings.

So when Miller finally proved convincing in its belief that people bought beer for its aura, as well as its aroma, A-B began pouring copious funds into advertising to support its top-selling brands. The decision was not made overnight, however.

Three years into the Miller High Life campaign and two years after Lite was introduced, A-B was crippled by a 100-day work stoppage. The issues revolved around work rules and grievance procedures. Bottles of Michelob beer, A-B's superpremium brand, were hard to find. Miller High Life, which had been steadily gaining market share, could now do so almost unimpeded. Lite was in its infancy and not only lacked contenders in its own category, but now had little competition from the best-selling brands of the top brewer in the country.

The aftershock of the June, 1976, strike reverberated throughout the A-B brewery until well into the first quarter of the following year. But rather than wring their hands in despair, the executives at Anheuser-Busch treated this as a time of reflection and barrel-searching. The bottom line was, "We're still beating them, but we'd better join them."

The brand they chose to promote aggressively, Budweiser, the flagship product, was criticized by some in the industry as an empty cause. It was considered to be a mature brand and therefore immune to the most brilliant marketing efforts.

A-B went ahead with its newly educated gut instincts. Advertising budgets were increased substantially, packages were revamped by skilled marketers, who had been lured from such gurus of marketing as Procter & Gamble and campaigns were reworked. From 1977 to 1981, A-B's ad budget rose from $60,000,000 to $171,000,000. During that time, the barrels for two A-B light beer entries were also rolled out—Michelob Light and Natural Light.

The efforts paid off. A-B sales increased by 25,400,000 bbls., while the rest of the industry—*in toto*—produced only 23,000,000 bbls. Budweiser's new campaign, the brainchild of D'Arcy, McManus & Masius, St. Louis, followed in the reward-for-work-well-done vein initiated by Miller.

"For all you do, this Bud's for you" first broke in April, 1979, and has endured into 1982, helping the brewer sell an impressive 38,200,000 bbls. last year—70% of the company's total volume. (Miller's total barrelage last year was 40,300,000.)

Budweiser's ads have been aimed at blacks, Hispanics and college students. Soon, broadcast spots will be featuring women. The college crowd was introduced to the TasteBuds, a motley crew of beer tempters featured during "Saturday Night Live" broadcasts.

Optimistic and sure of itself best describes A-B's attitude toward its third light beer offering, Budweiser Light.

A-B, like the rest of the industry, was at first skeptical about the selling power of light beers. This is why it didn't take the leap into light until well after Miller's Lite was running away with the category and the profits.

Still, according to industry analyst Mr. Rice, Michelob Light is a very successful brand for A-B. Natural Light, on the other hand, is not doing that well, according to Jerry Steinman, editor and publisher of "Beer Marketer's Insights," an industry newsletter. While Lite last year was the only light beer among the top 10 best sellers—it was, in fact, the largest-selling brand last year after A-B's Budweiser and Miller High Life—Natural Light was not meeting A-B's expectations, according to analysts at Sanford C. Bernstein & Co., New York.

A-B reacted accordingly. First, the brand was repositioned as a mid-priced product below the premium priced light beers like Miller's Lite. Second, a new campaign was introduced to associate the product with good-tasting food. The new campaign, with "What's more natural than Natural Light" as its theme, began running in the late fall of 1981.

According to the company, the brand's decline has been arrested. Two earlier campaigns attempted and apparently failed to deal with Natural Light's marketing difficulties. Industry sources say the product's name was confusing. This prompted the introduction of a campaign in which spokesman Norm Crosby urged consumers to "Just say 'Natural.'"

This effort was followed by testimonials from known sports figures and other celebrities who claimed to have "switched" to Natural Light—obviously from Miller's Lite. So now, following repositioning, repricing and campaign doctoring, A-B hopes the brand will take off as successfully as its kin. Together with Michelob Light, Natural Light now holds a 17% share of the light beer market.

Optimistic and sure of itself best describes A-B's attitude toward its third light beer offering, Budweiser Light. Pleased with the results of test marketing, A-B is now ready to enter the light battle with Miller. A campaign for Bud Light broke on March 1 to coincide with a phased rollout of the product. Network television, in which 70% of the campaign is concentrated, will begin running the commercials around the end of April. To reinforce strong ties to its well established relative, Budweiser, the new product's ads will feature a single Clydesdale horse. The theme, "Bring out your best," coincides with the company's fondest hopes for the product. Needham, Harper

Heileman's approach developed from necessity. He says Heileman became the industry's "merger specialist" because it didn't have money to build new facilities all over the map. Its only route to growth was through acquisition.

One unanticipated benefit of this strategy is that Heileman has never had to pour big money into a national media campaign, bringing it "substantial savings" by going with less expensive local and regional advertising.

In 1980, Heileman's total output was about 14,000,000 bbls., very near that of Schlitz, Coors and Pabst. Each had around 8% of the national market. Miller put out about 37,000,000 bbls. for 21%. Anheuser-Busch's output was 50,000,000, or 28% of the national beer market. In the following year only A-B, Miller and Heileman had significant gains, with the Anheuser and Miller combined market share reaching 54%.

The proposed Heileman-Schlitz merger would have launched Heileman into the same league with the two majors. Specifically, it would have created competition in the Sunbelt, which is currently the playing field of A-B and Miller.

Heileman's operations are concentrated in the North. The troubled Schlitz, on the other hand, closed its brewing operation in Milwaukee and is, in effect, heavily concentrated in the South. A merger would, in one stroke, keep Schlitz from falling into A-B's or Miller's hands and make Heileman a national operation.

Understandably, there was opposition to the merger from other brewers. Less understandable was the opposition from the Reagan administration, whose trustbusters have otherwise winked at the matings of much larger fish than Heileman and Schlitz. In the beer industry, there are people convinced that if the Justice Department is genuinely serious about real world competition, it is going after it in a backwards fashion.

Mr. Rice goes so far as to call the Justice Department move "ludicrous."

"This decision," he says, "is totally destroying potential competition in the industry. The gap between the first and second tiers is widening. The Justice Department is essentially giving the industry to Anheuser and Miller. It will give them 75% to 80% of the national market."

Since the announcement of federal opposition last Oct. 21, Heileman has kept its cards close. But now there are rumblings in the industry, and the vehemence of Mr. Cleary's "no comment" could suggest that another round in this battle maybe coming up. At this moment Mr. Cleary remains noncommittal about specific plans. Yet he does say this:

"I think there is a legitimate concern that as the gap between the top two and the balance of the industry widens that it will be more difficult to compete. Obviously we think that the most important aspect of preserving competition in the beer business is creating a third strong national company. The merger of Heileman and Schlitz would have done that."

As Mr. Rice sees things, "It's only a matter of time until Heileman owns Schlitz. Russell Cleary does not roll over easily.

"All sorts of things can occur now, but they boil down to two main possibilities regarding the merger. Heileman can acquiesce to some degree, and give up some of its brands in areas where its market share is very high. And/or the company will just say to the Justice Department, 'You can't win this in court; let's go.'"

In other words, to achieve the merger Heileman may be willing to give up some of its smaller brands to local or second tier competitors. Theoretically—and perhaps in fact—this would increase competition in the areas where Heileman is especially strong, and thus pave the way for increased national competition. AA

& Steers, Chicago, handles the account.

Miller is also bringing out what it hopes will be its best shot at the popular brand portion of the superpremium segment, now dominated by Michelob.

According to Miller's Mr. Easton, the brewery will expand Special Reserve from three test markets into Tucson, Ariz.; Fresno, Cal.; Atlanta; Rochester, N.Y.; Baltimore, and Milwaukee for more tests.

Some in the industry also expect Miller to introduce a popular-priced beer this year, but company executives refused to comment. The popular-priced beers, long a stagnant category, are expected to show real growth this year, making the segment a likely vehicle for new entries.

Few of Miller's 40,300,000 bbls. produced in 1981 made it overseas. The company has modest international distribution. Its chief competitor, however, has been hopping across both the Atlantic and Pacific Oceans. Budweiser is now the No. 1-selling import in Japan, according to company sources, and it is slated to enter Hong Kong this year. A locally brewed "Busch" brand beer is to appear in France as well.

On the home front, the Big Two are expected by industry sources to concentrate their marketing efforts even more on the lucrative Sunbelt region, as well as the Midwest. With disproportionately high advertising budgets, these combined forces can wield a heavy hand against Texas and California marketer Adolph Coors Co. and Midwest beer lord G. Heileman Brewing Co., as well as other second tier brewers. In the interests of fair play and the exhiliration of competitiveness, onlookers hope the blow won't be a fatal one. But if the marketing histories of the Top Two are any indication, even when the star of the show is a smash, one slipup or oversight can make any understudy an overnight success. AA

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